

for the Fiscal Year Ended Ended **JUNE 30, 2014**

Comprehensive Annual FINANCIAL REPORT

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



Dr. Joshua P. Starr
Superintendent of Schools

Mr. Larry A. Bowers
Chief Operating Officer

Dr. Kimberly A. Statham
Deputy Superintendent, Office of School Support and Improvement

Dr. Maria V. Navarro
Chief Academic Officer

Montgomery County Public Schools

GUIDING TENETS

VISION

We inspire learning by providing the greatest public education to each and every student.

MISSION

Every student will have the academic, creative problem solving, and social emotional skills to be successful in college and career.

CORE PURPOSE

Prepare all students to thrive in their future.

CORE VALUES

- **Learning**

WE BELIEVE that we must engage every student, every day; learning is achieved by cultivating curiosity and encouraging determination, focus, and hard work; and adult learning and engagement are key to student learning.

THEREFORE, we will encourage and support critical thinking, problem solving, active questioning, and risk taking to continuously improve; stimulate discovery by engaging students in relevant and rigorous academic, social, and emotional learning experiences; and challenge ourselves to analyze and reflect upon evidence to improve our practices.

- **Relationships**

WE BELIEVE that meaningful collaboration is vital to our success; strong partnerships are built on trust and open and honest communication; and building relationships with our diverse community requires us to understand the perspectives and experiences of others.

THEREFORE, we will get to know student and staff members as individuals to better serve them; engage in interest-based decision making with our partners to achieve mutually agreed upon goals; and build strong relationships with students, family, staff, and community to support learning.

- **Respect**

WE BELIEVE that each individual's contributions add value to our learning community; fair treatment, honesty, openness, and integrity are essential; and the diversity of our culture, interests, skills, and backgrounds is an asset that makes us stronger.

THEREFORE, we will model civility in all interactions and encourage candid conversations; deal fairly and honestly with each other; and listen to others' perspectives with openness and accept that there are various points of view.

- **Excellence**

WE BELIEVE that raising the bar and setting high standards is necessary to ensure that all students graduate ready for college and career; we have to expect the best to get the best from everyone, every day; and creating intellectual excitement and supporting personal growth inspires us all toward excellence.

THEREFORE, we will push unceasingly for continuous improvement; hold our practice and our work to the highest possible standards; and nurture a culture of creativity and inquiry that supports innovation and progress.

- **Equity**

WE BELIEVE that each and every student matters; outcomes should not be predictable by race, ethnicity, or socioeconomic status; equity demands the elimination of all gaps; and creating and maximizing future opportunities for students and staff is necessary.

THEREFORE, we will hold high expectations for all students and staff; distribute resources as necessary to provide extra supports and interventions so all students can achieve; identify and eliminate any institutional barriers to students' success; and ensure that equitable practices are used in all classrooms and workplaces.

Montgomery County Public Schools
A Component Unit of Montgomery County Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2014

Prepared by:

Office of the Chief Operating Officer

Larry A. Bowers, *Chief Operating Officer*
Susanne G. DeGraba, *Chief Financial Officer*
Bei (Susan) Chen, *Controller*

Cover Photograph:
Wilson WIMS Elementary School

850 Hungerford Drive
Rockville, MD 20850

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MONTGOMERY COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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September 29, 2014



Members of the Board of Education
and Citizens of Montgomery County, Maryland:

Maryland state law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (U.S. GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of Montgomery County Public Schools (MCPS) for the fiscal year ended June 30, 2014.

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

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

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

MCPS Profile

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

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

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

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

Relevant Financial Policies

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

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

Factors Affecting Financial Condition

Local economy—MCPS receives approximately 68 percent of its operating budget from Montgomery County. The economic condition and outlook of the county, therefore, play substantial roles in the economic condition of MCPS.

Based on data from the Maryland Department of Labor, Licensing and Regulation, and the Bureau of Labor Statistics, U.S. Department of Labor, as reported by the county's Office of Finance in

July 2014, average monthly resident employment (labor force series and not seasonally adjusted) in Montgomery County decreased nearly 2,700 in Calendar Year (CY) 2014 from the second quarter of CY 2013, a decrease of 0.5 percent. Using a fiscal year basis, resident employment was 507,536 in FY 2014 compared to 508,835 during the previous year, a decrease of 0.26 percent.

The county's average unemployment rate during FY 2014 was 4.7 percent. This was a decline of 0.5 percent from an unemployment rate of 5.2 percent in FY 2013. Throughout FY 2014, Montgomery County's unemployment rate remained one of the lowest in the state of Maryland.

In addition, following a strong first quarter performance in CY 2014 compared to the first quarter of CY 2013, residential construction experienced a decline of 27.3 percent in the second quarter of CY 2014 compared to the same point in CY 2013. This is seen in a 12.4 percent decline in the construction of single family homes and a decline of 33.6 percent in multi-family homes. Despite the second quarter decline, the number of new residential construction starts increased 5.1 percent during the first half of CY 2014 compared to the same time period in CY 2013. Strong residential construction starts added a total value of \$477.3 million in the first half of CY 2014, but was unchanged from the first half of CY 2013. On a fiscal year basis, the number of new residential construction starts increased by nearly 10 percent in FY 2014 and added a total value of approximately \$887 million compared to the previous fiscal year.

During the second quarter of CY 2014, existing home sales in Montgomery County decreased 4.7 percent following a decline of 4.0 percent during the first quarter of the year. This followed increases in each quarter of FY 2013. The Department of Finance attributed this to rising mortgage interest rates and increases in home prices. Median sale prices for existing homes in the county decreased 0.5 percent in the second quarter of CY 2014 compared to the same time period one year earlier. Median sale prices had increased for the previous seven quarters. Despite a weak housing performance for two consecutive quarters in CY 2014, home sales increased by 5.5 percent in FY 2014 compared to FY 2013.

Using sales tax receipts as an indicator of retail sales activity in Montgomery County, sales taxes increased by 0.9 percent during the second quarter of CY 2014. During the first five months of CY 2014, purchases of nondurable goods increased 2.6 percent while sales of durable goods increased 0.1 percent. The increase in nondurable goods purchases is attributed mostly to an increase in utilities and transportation.

Long-term financial planning—Montgomery County's Department of Finance assumes that Montgomery County's economy is expected to continue to improve through the next six years. According to the county, payroll employment will continue to increase through CY 2020 and grow at an average annual rate of 1.2 percent during that time period. Resident employment also is expected to increase by an annual rate of 1.0 percent through CY 2020. Total personal income in the county is projected to grow by an average of 4.0 percent per year through FY 2020. By then, the county assumes personal income will total \$100.7 billion. This amount of personal income is up from \$99.55 billion previously projected for CY 2019. The regional inflation index is projected

to increase to 2.15 percent in CY 2015 from a 1.90 percent increase projected for CY 2014. It is projected to peak at 2.75 in CY 2017 and then gradually decelerate to 2.21 percent by CY 2020.

Negotiated agreements—During FY 2014, the Board of Education reached agreement on comprehensive three-year agreements with all three employee associations. All groups are covered under separate agreements covering July 1, 2014, through June 30, 2017. The bargaining units are the Montgomery County Education Association (MCEA), representing certificated non-administrative employees; Service Employees International Union (SEIU) Local 500, representing supporting services employees; and the Montgomery County Association of Administrators and Principals (MCAAP/MCBOA), representing certificated and non-certificated administrators and non-certificated supervisory employees in separate units. The two MCAAP units are covered in a single contract covering both units.

The FY 2015 Operating Budget includes funds for all increases that take effect in 2015. The three-year agreements provide general wage adjustments of 1.5 percent on November 29, 2014, 2 percent on October 3, 2015, and 2 percent on September 3, 2016. In addition, employees who are eligible will receive step increases for each year of the contract. There will be an additional step added in FY 2017 for eligible employee who missed a step increase during FY 2012. By the end of the three-year contract, all delayed steps will have been implemented and all employees will be back on a schedule of regular salary review and increase. The agreements also provide for modified insurance contribution structures intended to maintain quality health coverage for employees on a cost-effective basis.

Enrollment—MCPS enrollment has increased by 37,000 students in the last 20 years. Enrollment increases over this period are a product of a strong regional economy and housing market. Increases in resident births, as well as migration to the county, resulted in a nearly 2,000 annual increase in enrollment since 1994. More recently, large increases in enrollment occurred as a byproduct of the Great Recession. The severe economic downturn resulted in more students enrolling in public school from private schools, the doubling up of housing in some areas of the county, and reduced migration out of the county due to more severe economic conditions elsewhere. Between 2007 and 2014, MCPS enrollment increased by 16,408 students in a seven year period. Enrollment on September 30, 2014, is projected to be 154,153, an increase of 2,864 students from the previous year. Total MCPS enrollment is projected to continue to grow, with nearly 10,000 more students projected to enroll by 2020.

In regard to school capacity, MCPS is still trying to catch up with enrollment increases that have occurred in the past while facing additional enrollment increases in the future. Additional space needs are the result of increases in county births, migration into MCPS from a number of places, and more students coming to MCPS from private schools. This year, MCPS is addressing overutilization at schools with 401 relocatable classrooms, 348 of which are at elementary schools where space issues are most pronounced. To relieve overutilization of schools, MCPS will build two new elementary schools and two new middle schools in the next six years. MCPS also has a program for the revitalization and expansion of older schools. Over the next six years,

six elementary schools, two middle schools, three high schools, and one special education learning center will be revitalized and expanded. MCPS also adds capacity to schools through classroom additions. In the next six years, a total of 355 classrooms will be added at schools through classroom additions and expansion of schools undergoing revitalization. Even with all of these capital projects MCPS will continue to face space shortages in many of our schools.

Accomplishments and Awards

Graduation rates—MCPS has one of the highest graduation rates among the nation's largest school districts, according to an *Education Week* report. The Schott Foundation reports that MCPS has the highest graduation rate in the nation for Black or African American males among the nation's largest districts.

Top high schools—In 2014, MCPS has eight of the nation's top 200 high schools, according to the *Washington Post* 2014 High School Challenge, which was released on April 7, 2014. All 25 MCPS high schools made the list, which includes more than 2,000 public and private schools, representing the top 9 percent of the nation's high schools.

SAT scores—The systemwide average SAT score in FY 2014 was 1,650, compared with a Maryland average of 1,468 and a national average of 1,497. Black or African American graduates of MCPS scored an average of 1,403 on the SAT, an increase of 6 points from the class of 2013. Hispanic or Latino graduates from MCPS scored an average of 1,461 on the SAT, an increase of 10 points from last year and significantly higher than graduates in the state (1,374) and the nation (1,353). Sixty-nine percent of MCPS graduates took the SAT, while nationally only 52 percent of public school graduates took the SAT.

Academic progress—Students at all levels are demonstrating improved academic achievement. In 2013, more than 51 percent of the school system's seniors scored a 3 or higher on at least one Advanced Placement exam, significantly higher than the 20 percent in Maryland and 29 percent in the nation. More than 66 percent of all MCPS seniors took one or more Advanced Placement exam. Overall, MCPS African American and Hispanic graduates outperformed all students across the nation on AP participation and performance. Record numbers of kindergarten students are reading—more than 90 percent in 2013, up from 59 percent in 2001, including 89 percent of African American students and 83 percent of Hispanic students. A total of 56 percent of Grade 8 students successfully completed Algebra 1 with a C or higher in 2013. Students at all levels are demonstrating improved academic achievement

Financial reporting awards—The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MCPS for its CAFR for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement

is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. For 33 consecutive years, MCPS has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. This award, valid for one year, is granted only after an intensive review of the CAFR by an expert panel of certified public accountants and practicing school business officials. MCPS plans to submit the 2014 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.


Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Division of Controller staff. The high standard of conformity of this report reflects the professional competence of all individuals responsible for its preparation. We express our appreciation for a job well done.

Sincerely,



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



Larry A. Bowers
Chief Operating Officer



Susanne G. DeGraba
Chief Financial Officer

JPS:LAB:SGD:mj



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Montgomery County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Montgomery County Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Terrie S. Simmons".

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

**MONTGOMERY COUNTY PUBLIC SCHOOLS
LISTING OF OFFICIALS**

MEMBERS OF THE BOARD OF EDUCATION

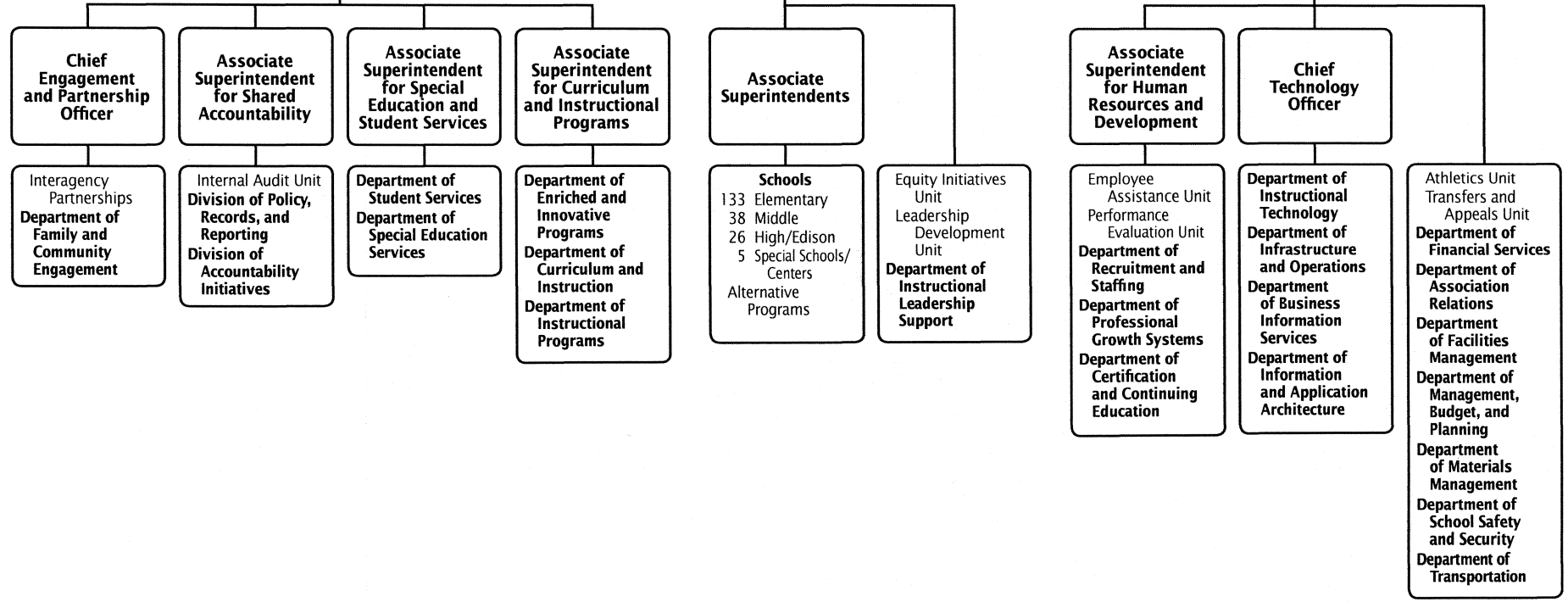
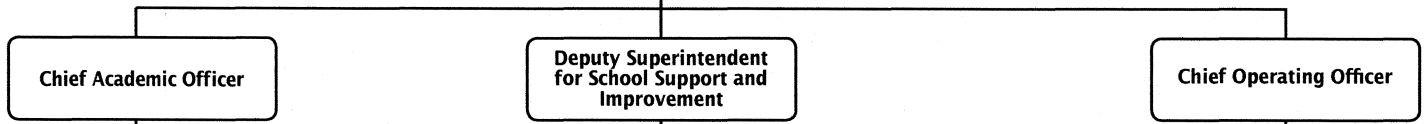
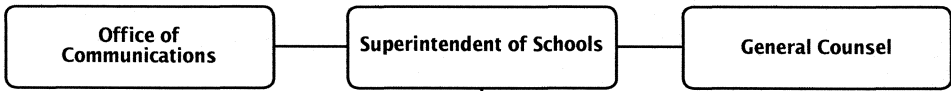
Philip Kauffman, President
Patricia B. O'Neill, Vice President
Shirley Brandman
Judith R. Docca (Dr.)
Michael A. Durso
Rebecca Smondrowski
Christopher S. Barclay

Dahlia Huh, Student Board Member

EXECUTIVE STAFF

Joshua P. Starr (Dr.) Superintendent of Schools
Larry A. Bowers Chief Operating Officer
Kimberly A Statham (Dr.)Deputy Superintendent, Office of School Support and Improvement
Maria V. Navarro (Dr.) Chief Academic Officer
Andrew M. Zuckerman (Dr.) Chief of Staff
Joshua I. CivinGeneral Counsel
Sherwin Collette Chief Technology Officer
Brian K. Edwards..... Chief Communication Officer
Christopher S. Garran (Dr.) Associate Superintendent of High Schools, Office of School
Support and Improvement
Donna S. Hollingshead (Dr.) Associate Superintendent of Elementary Schools, Office of School
Support and Improvement
LaVerne G. Kimball (Dr.) Associate Superintendent of Elementary Schools, Office of School
Support and Improvement
Erick J. Lang (Dr.).....Associate Superintendent, Office of Curriculum and Instructional
Programs
Susan F. Marks (Dr.)..... Acting Associate Superintendent, Office of Human Resources and
Development
Bronda L. Mills Associate Superintendent of Elementary Schools, Office of School
Support and Improvement
Chrisandra A. Richardson.....Associate Superintendent, Office of Special Education and Student
Services
Geoffrey T. Sanderson..... Associate Superintendent, Office of Shared Accountability
Myra Smith (Dr.) Associate Superintendent of Elementary Schools, Office of School
Support and Improvement
Timothy B. Warner (Dr.) Chief Engagement and Partnership Officer
Darryl L. Williams (Dr.)..... Associate Superintendent of Middle Schools, Office of Schools
Support and Improvement

MONTGOMERY COUNTY BOARD OF EDUCATION



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Education
of Montgomery County Public Schools
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County Public Schools (MCPS) a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise MCPS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MCPS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCPS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component unit governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of MCPS as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 14 through 25 and the schedule of changes in the employer's net pension liability and related ratios, the schedule of the employer's net pension liability, schedule of contributions and schedule of contributions for the MCPS Employees' Retirement and Pension System and the schedules of funding progress and employer and other contributing entities contributions for the OPEB Plan Trust on pages 66-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MCPS's basic financial statements. The supplementary data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary data, as listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of MCPS'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCPS's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 26, 2014

Montgomery County Public Schools Management's Discussion and Analysis

This section of the Montgomery County Public Schools (MCPS) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of MCPS for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with additional information presented in the transmittal letter, which can be found on pages 1– 6 of this report.

Financial Highlights

- The assets of MCPS exceeded its liabilities at June 30, 2014, by \$1,890 million, which represents its net position.
- MCPS' net position increased during the year by \$4.1 million.
- 76 percent of capital asset additions were directed toward instructional facilities.
- MCPS successfully generated \$17.1 million in FY 2014 savings to be used to fund future operating budgets.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate

information for the food services operation which is considered to be a major fund of MCPS. Data for the other three proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41–64 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 72–82 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 198.4	\$ 238.6	\$ 5.9	\$ 4.6	\$ 204.3	\$ 243.2
Capital assets	2,497.0	2,404.6	5.0	3.3	2,502.0	2,407.9
Total assets	2,695.4	2,643.2	10.9	7.9	2,706.3	2,651.1
Long-term liabilities outstanding	637.1	579.1	10.0	8.9	647.1	588.0
Other liabilities	165.4	174.2	3.8	3.0	169.2	177.2
Total liabilities	802.5	753.3	13.8	11.9	816.3	765.2
Net Position:						
Net investment in capital assets	2,467.6	2,377.5	4.9	3.1	2,472.5	2,380.6
Unrestricted	(574.7)	(487.6)	(7.8)	(7.1)	(582.5)	(494.7)
Total net position	\$ 1,892.9	\$ 1,889.9	\$ (2.9)	\$ (4.0)	\$ 1,890.0	\$ 1,885.9

Government-wide Financial Analysis

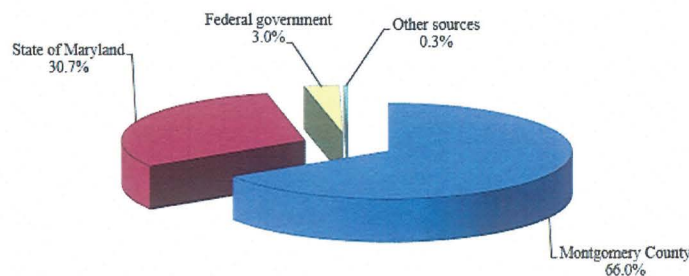
Net position may serve as a useful indicator of a government's financial position. MCPS' net position, the amount by which assets exceed liabilities, increased \$4.1 million to \$1.890 million. The increase came from governmental activities, which increased by \$3.0 million to \$1,892.9 million. The largest portion of net position reflects MCPS' investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by MCPS to acquire those assets. Net investment in capital assets for governmental activities increased \$90.1 million to \$2,467.6 million. These assets are used by MCPS in its instructional programs; consequently, these assets are not available for future spending.

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

The unrestricted net deficit increased \$87.8 million to a \$582.5 million deficit at June 30, 2014. The increase in unrestricted net deficit is primarily attributed to the increase in the net OPEB obligation of \$48.2 million. The net OPEB obligation increased from \$451.5 million to \$499.8 million as a result of MCPS transitioning to full funding of the annual required contribution for postemployment health benefits over a period of eight years. The compensated absences increased \$10.7 million. The Internal Service fund balance decreased \$17.3 million. The deficit of \$13.2 million decreased the Governmental fund balance to \$36.5 million.

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

Revenues by Source - Governmental Activities

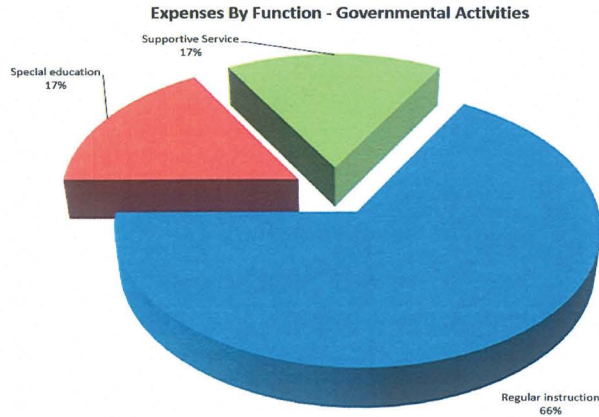


Governmental activities. Governmental activities unrestricted net deficit increased \$87.1 million to a deficit of \$574.70 million at June 30, 2014. The increase in unrestricted net deficit arose primarily from an increase of \$47.3 million in the net OPEB obligation, \$10.2 million in compensated absences and \$2.9 million in lease activities. \$26.9 million in net position was used to fund 2014 operations.

Total revenues for MCPS' governmental activities increased \$53.1 million (2.1 percent). Intergovernmental revenues increased \$59.4 million (2.5 percent), and operating grants revenues increased \$1.2 million (1.5 percent). Intergovernmental revenues from Montgomery County increased \$39 million (2.4 percent). An increase of \$53.6 million in general operating revenue was offset by a decrease of \$14.6 million in capital projects revenue in 2014. Intergovernmental revenue from the State of Maryland increased \$21.3 million (2.8 percent), related to an increase of \$14.0 million in unrestricted *Bridge to Excellence* formula-driven grants, an increase of \$17.1 million in the state's pension contribution made on behalf of MCPS employees, offset by a decrease of \$8.2 million in construction funds. Federal intergovernmental revenue decreased \$0.8 million, largely due to a decrease of \$0.2 million in Medicare Part D subsidies, \$0.3 million in impact aid program, and \$0.3 million in capital project revenue in 2014.

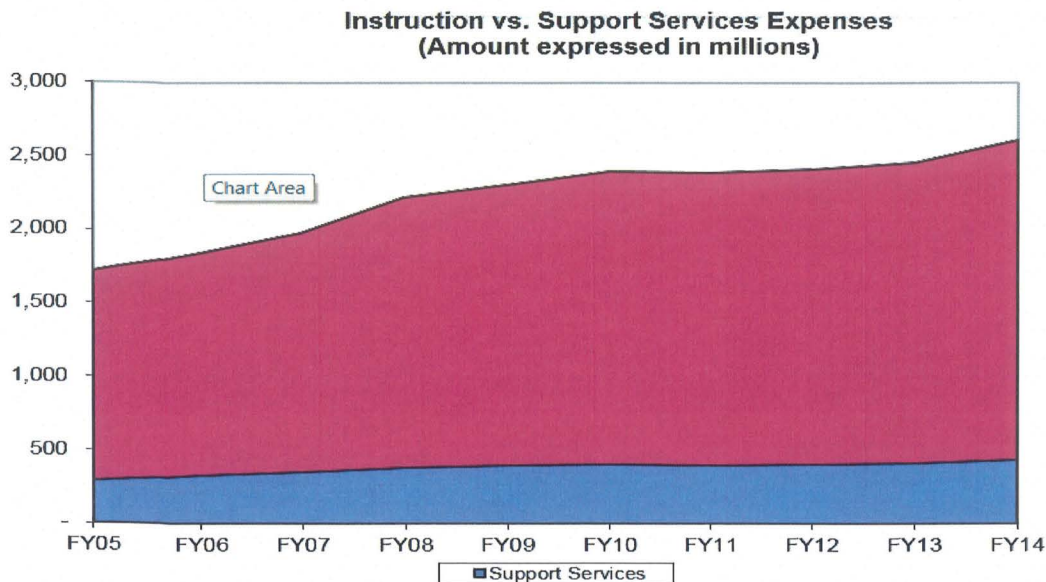
Montgomery County Public Schools Changes in Net Position
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 3.8	\$ 3.9	\$ 23.1	\$ 24.9	\$ 26.9	\$ 28.8
Operating grants and contributions	79.2	78.0	36.0	32.8	115.2	110.8
Capital grants and contributions	59.7	67.6	2.0	0.1	61.7	67.7
General revenues:						
Intergovernmental	2,467.2	2,407.8			2,467.2	2,407.8
Other	1.4	0.9	-	-	1.4	0.9
Total revenues	2,611.3	2,558.2	61.1	57.8	2,672.4	2616.0
Expenses:						
Regular instruction	1,510.1	1,425.8			1,510.1	1,425.8
Special education	436.2	398.5			436.2	398.5
School administration	210.2	204.8			210.2	204.8
Student personnel services	16.5	16.0			16.5	16.0
Health services	-	-			-	-
Student transportation	136.4	129.9			136.4	129.9
Operation of plant	159.0	150.1			159.0	150.1
Maintenance of plant	76.5	69.6			76.5	69.6
Administration	59.6	58.5			59.6	58.5
Community services	3.1	2.5			3.1	2.5
Interest on capital leases	0.7	0.8			0.7	0.8
Food services			53.0	51.3	53.0	51.3
Real estate management			2.8	3.0	2.8	3.0
Field trips			1.8	1.7	1.8	1.7
Entrepreneurial activities			2.4	2.6	2.4	2.6
Total expenses	2,608.3	2,456.5	60.0	58.6	2,668.3	2,515.1
Increase (decrease) in net position	3.0	101.7	1.1	(0.8)	4.1	100.9
Net Position—beginning	1,889.9	1,788.2	(4.0)	(3.2)	1,885.9	1,785.0
Net Position—ending	\$ 1,892.9	\$ 1,889.9	\$ (2.9)	\$ (4.0)	1,890.0	\$ 1,885.9



Total expenses for MCPS governmental activities increased \$151.8 million (6.2 percent) to \$2,608.3 million. In 2014, instructional programs expenses accounted for 83.3 percent, (83.3 percent in 2013), and support services accounted for 16.7 percent (16.7 percent in 2013) of total governmental activities expenses.

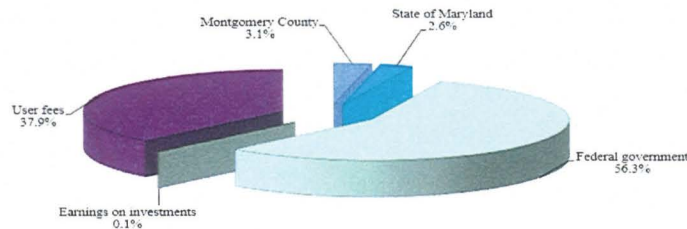
Support service expenses remain flat as the proportion of instructional expenses to total expenses continues to rise (see chart below). This is the result of internal savings and cost reduction programs which are the primary source for funding instructional program initiatives. Employee healthcare and other postemployment healthcare benefits contribution decreased \$9 million (3.3 percent), principally due to employee health care and other postemployment health benefits funded through reserves. General fund salaries increased \$47.7 million (3.4 percent) primarily due to steps and longevity increases in 2014. The FY 2014 Operating Budget included funds for all increases that took effect in 2014. Eligible employees hired prior to February 1, 2013, who were not at the top step of their range, moved one step from their current step on the schedule effective February 8, 2014. Employees not eligible for steps or longevity increases received a two percent salary increase on February 8, 2014.



Business-type activities. Business-type activities increased MCPS' net position by \$1.1 million. Total revenues increased \$3.3 million (5.7 percent) to \$61.1 million. Charges for services decreased \$1.8 million (7.2 percent) principally due to a decline in paid and reduced lunch sales. The number of paid and reduced lunch meals decreased 205,894 (4.3 percent) to 4,533,813. Operating grants related to federal student lunch programs increased \$3.2 million (9.8 percent) due to an increase in the reimbursement rates from \$0.35 to \$0.36 for full price meals, from \$2.54 to \$2.61 for reduced rate meals, and from \$2.94 to \$3.01 for free meals served which resulted an increase of 127,430 (2.4 percent) to 5.4 million meals. Capital contribution related to food service equipment in schools increased \$1.9 million.

Total expenses increased \$1.4 million (2.4 percent). Food services operating expenses increased \$1.7 million (3.3 percent), offset by \$0.3 million (4.1 percent) in savings for other nonmajor enterprise operations. Food costs increased \$0.3 million (1.7 percent) due to an increase in dairy and bread items related to the whole grain requirements. Salary cost increased \$0.9 million (4.5 percent) due to annual step increases and increased use of part-time and overtime expense related to summer programs and MMFA start-up cost. Employee health benefit costs increased \$0.3 million (3 percent).

Revenues by Source - Business-type Activities



Financial Analysis of MCPS' Funds

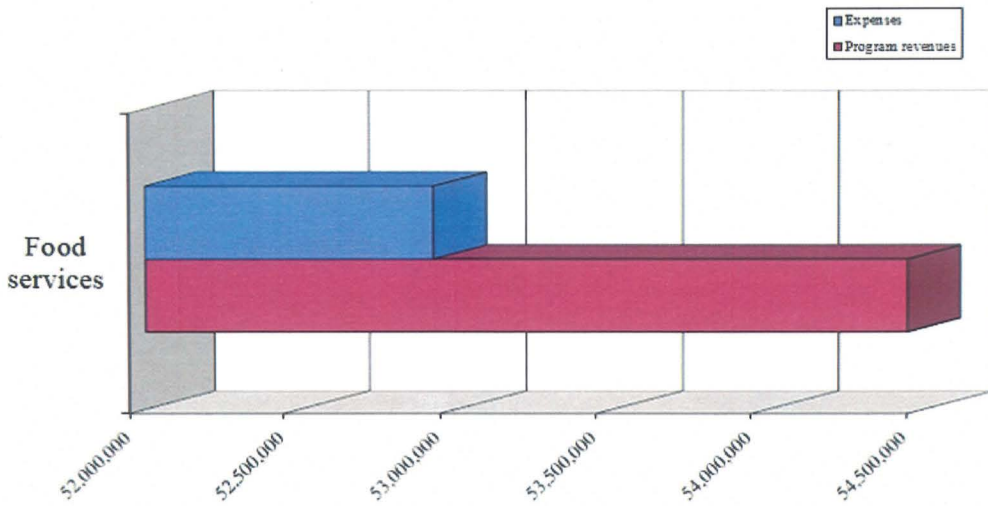
MCPS uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions.

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

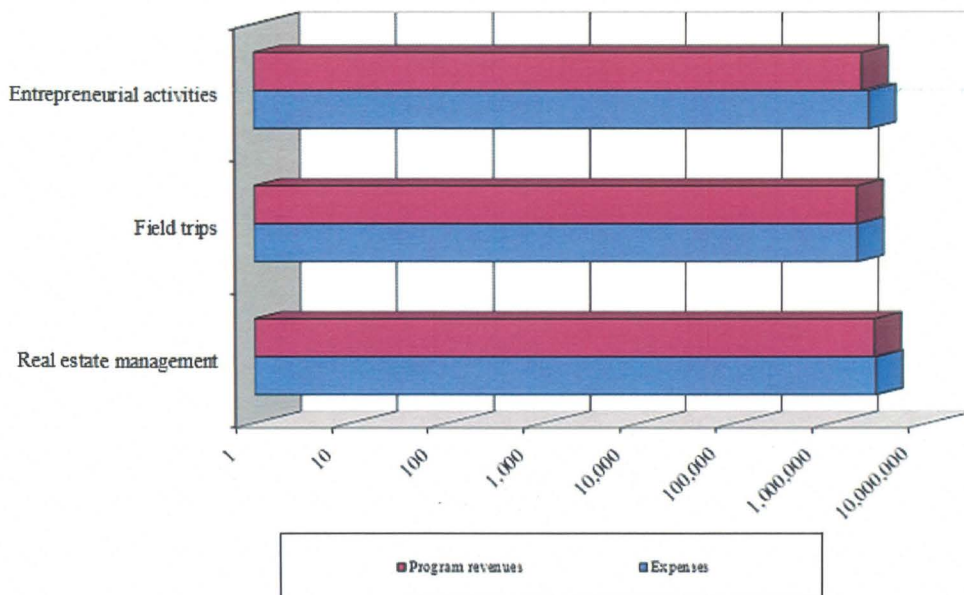
As of the end of the current fiscal year, MCPS' governmental funds reported combined ending fund balance of \$36.5 million, a decrease of \$13.2 million from the prior year. Fund balance restricted for the instructional TV program of \$0.3 million decreased \$0.1 million from the prior year.

The general fund is the principal operating fund of MCPS. At June 30, 2014, fund balance was \$36.2 million. Nonspendable fund balance was \$7.9 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs decreased by \$3 million to \$2.5 million. Unassigned fund balance decreased by \$10.4 million to \$25.7 million at June 30, 2014.

**Program Revenues and Expenses - Primary Activity
Business-type Activities**



**Program Revenues and Expenses - Other Activities
Business-type Activities**



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

General Fund Budgetary Highlights

The final amended budget for FY 2014 was \$2,181.7 million. The decrease of \$20,143 from original budget was a result of realignment of food service grants received during the year from restricted program grants.

Actual budgetary fund balance was reduced by \$15.3 million to \$39.4 million. The decrease in fund balance resulted primarily from using \$26,972,451 from MCPS fund balance to support operations based on the Montgomery County Council's decision for the MCPS FY 2014 Operating Budget.

Actual revenues were \$10.6 million under budget for the year primarily as a result of decreased federal grants. Unrestricted revenue was \$3.5 million in excess of budget. Revenue from fees was up \$0.2 million, State revenue for tuition for students attending nonpublic programs was up \$3.5 million, and Federal Impact Aid was down \$0.2 million. Restricted revenues were \$14.2 million under budget, of which \$6.2 million comprised estimated restricted grant activity that did not materialize, and \$8 million in unrealized revenue for grants that carried forward into FY 2015.

Actual expenditures were \$27.7 million under budget. Restricted expenditures were \$14.2 million less than the budget, which consisted of \$8 million in unspent funds for grants that carry forward into FY 2015, and \$6.2 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$13.5 million under budget. A savings plan implemented during the year reduced expenditures. Higher than budgeted instructional salaries lapse and turnover savings of \$13.2 million accounted for most of the remaining savings.

Capital Asset and Debt Administration

Capital Assets. Capital assets include land and site improvements, schools and administrative buildings, school buses, and other vehicles and equipment. At June 30, 2014, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$2,502 million, net of accumulated depreciation. This amount represents a net increase of \$94.1 million or 3.9 percent from last year. The net value of buildings, less accumulated depreciation, increased \$27.4 million and construction in progress increased \$56.6 million.

Montgomery County Public Schools Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 81.2	\$ 79.3	\$	\$	\$ 81.2	\$ 79.3
Buildings	2,010.8	1,983.4			2,010.8	1,983.4
Improvements other than buildings	240.9	239.3			240.9	239.3
Vehicles and equipment	63.8	58.9	5.0	3.3	68.8	62.2
Construction	100.3	43.7			100.3	43.7
Total	\$ 2,497.0	\$ 2,404.6	\$ 5.0	\$ 3.3	\$ 2,502.0	\$ 2,407.9

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2014, MCPS added 48 classrooms as part of school modernization and 83 classrooms through stand alone additions. In FY 2015, MCPS will add 47 classrooms including 11 classrooms at Waters Landing Elementary School and 36 additional classrooms associated with the construction of new school (Wilson Wims Elementary School), the revitalization and expansion projects of Bel Pre Elementary School, Candlewood Elementary School, and Rock Creek Forest Elementary School.

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

Long-term debt. At June 30, 2014, MCPS had \$50.8 million in capital leases outstanding. MCPS acquires school buses, instructional computers and furniture, other vehicles, and heavy equipment through a master lease agreement with a financial institution. New capital leases for school buses, instructional computers, and other equipment amounted to \$24.9 million during FY 2014. Principal payments on existing capital leases were \$21.9 million during the current year.

Additional information on MCPS' long-term debt can be found in notes 8 and 9 to the financial statements.

Factors Bearing on MCPS' Future

The transmittal letter presents certain information on the local economy and long-term financial planning, enrollment, and negotiated agreement issues affecting MCPS. There are five additional initiatives that significantly impact MCPS.

Postemployment Healthcare Benefits. The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* (OPEB) in June 2004. The Statement was effective in FY 2008 for MCPS. The Statement established standards for the measurement, recognition and reporting of OPEB expenditures and related liabilities. The Statement requires MCPS to recognize an expenditure for OPEB during the period of active service for its employees, and, to the extent not currently funded, to recognize a liability for unfunded OPEB

costs. MCPS created the OPEB Plan Trust to account for its OPEB activity. Additional information about MCPS' OPEB funding can be found in note 13 to the financial statements.

MCPS worked jointly with the county and other county agencies to develop a common approach for funding OPEB that would be acceptable to the Montgomery County Council, the funding authority for MCPS. MCPS initially agreed with the County Council to phase in full funding of the annual OPEB cost over a five-year period. The FY 2008 OPEB contribution was based on a five-year phase-in. Subsequently, MCPS agreed with a County Council request to extend the phase-in period to eight years beginning with the FY 2009 contribution to the unfunded actuarial accrued liability (UAAL). The Montgomery County Council elected to not fund either the FY 2010 or the FY 2011 MCPS UAAL contributions due to declining county tax revenues. Montgomery County contributed \$58.9 million and \$83.7 million respectively in FY 2013 and FY 2014 on behalf of MCPS to maintain progress toward completion of the eight-year phase-in. In FY 2015, the Montgomery County Council will contribute \$85,507,000. The county reaches full OPEB funding in FY 2015, the eighth year of the phase-in.

Effective July 1, 2011, the Montgomery County Council established the consolidated OPEB Plan Trust that expanded the County OPEB Plan to include funds for the benefit of MCPS retirees. Beginning in fiscal year 2012, and each year thereafter, the MCPS annual UAAL contribution will be made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust. The current MCPS OPEB Plan Trust will be drawn down through either the transfer of funds to the MCPS Retiree's Trust fund or the processing of claims and expense against this account. The county partially offset the draw-downs by increases to the consolidated OPEB Plan Trust. FY 2015, it is anticipated that \$27.2 million will be transferred from the MCPS OPEB Plan Trust into the MCPS Retiree's Trust fund. This draw-down is offset by a budgeted \$27.2 million increase in county funding to the consolidated OPEB Plan Trust. The MCPS OPEB Plan Trust no longer receives annual contributions.

Pension Plan. The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which are effective in FY 2015 for MCPS. These Statements are intended to improve accounting and financial reporting by state and local governments that provide pension benefits. MCPS is currently evaluating the effect of the implementation of this Statement.

No Child Left Behind. In 2002, the United States Congress approved the *No Child Left Behind Act* (NCLB). This marked the most fundamental revision of federal education legislation since the adoption of the *Elementary and Secondary Education Act* (ESEA) in 1965. The law calls for rigorous standards in all states and compulsory testing of students in Grades 3 through 8 and Grade 10. In 2012, the state of Maryland received a waiver of Adequate Yearly Progress (AYP) targets in return for significant commitments to school reform and academic improvements.

Bridge to Excellence. The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The *Bridge to Excellence in Public Schools Act* (BTE) Senate Bill (SB) 856 provides additional statewide funding to assure the adequacy of educational resources while redirecting resources more equitably to meet the needs of students with disabilities, limited English proficient students, and students impacted by poverty. In FY 2010, the Maryland General Assembly fully funded for the first time the Geographic Cost of Education Index (GCEI) adjustment to recognize the higher cost of education in some school districts. Montgomery County received \$30.9 million in added

state aid as a result of the GCEI adjustment. In 2011, the Maryland General Assembly restored state BTE and GCEI funding by using federal grant funds that became available through the *American Recovery and Reinvestment Act* (ARRA) State Fiscal Stabilization Fund (SFSF). This funding shift added \$31.3 million in state funding to maintain mandated BTE formulas. Full state funding for the GCEI continued in FY 2012 after the expiration of SFSF federal aid. In 2013, state aid for BTE for MCPS increased by \$27.5 million compared to FY 2012. Again, full state funding for GCEI continued in FY 2013. Additionally, the calculation included a one percent increase from FY 2012 in the Target Per Pupil Foundation figure. In FY 2014, state aid for BTE for MCPS increased by \$14 million compared to FY 2013. As a result of SB 0277, the Foundation Program included an adjustment equal to 20 percent of the increase in state aid that is due to those school districts that benefit from using November Net Taxable Income (NTI) figures as opposed to September NTI figures. Also, the Foundation Program included full funding for GCEI in FY 2014.

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

Maintenance of Local Effort. In 2012, the Maryland General Assembly adopted SB 848 that clarified and strengthened requirements for counties to maintain the local financial commitment to public schools. SB 848 provides significant protection of local funding for public schools, especially during periods of economic challenges. The law requires all counties and the City of Baltimore to provide at least as much local tax revenue per student as the previous fiscal year. Instead of penalizing the school district with the loss of increased state aid, SB 848 provides for the diversion of sufficient local income tax collections to assure that the school district receives at least the required amount of local contribution. If a county cannot meet its commitment because of a severe financial downturn, the new law provides broader criteria for a waiver application to the Maryland State Board of Education, but also limits the amount of the possible waiver.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 20,845,104	\$ 1,730,714	\$ 22,575,818	\$
Cash and cash equivalents		6,129,713	6,129,713	112,477
Investments - cash equivalents	47,823,456		47,823,456	
Investments				5,235,796
Accounts receivable:				
Montgomery County	45,284,139	9,054	45,293,193	
State of Maryland	24,450,134	241,954	24,692,088	
Federal government	14,714,310	1,911,749	16,626,059	
Other	27,897,293	274,950	28,172,243	
Due from component unit	231,288		231,288	
Internal balances	6,252,983	(6,252,983)		
Inventories	7,643,560	1,831,073	9,474,633	
Prepays	308,672		308,672	
Due from employees	267,274		267,274	
Net Pension Asset	2,617,917		2,617,917	
Capital assets (net of accumulated depreciation):				
Land	81,179,460		81,179,460	
Buildings and additions	2,010,826,711	-	2,010,826,711	
Improvements other than buildings	240,940,940		240,940,940	
Construction in progress	100,325,574		100,325,574	
Vehicles and equipment	63,751,971	5,033,586	68,785,557	39,813
Total assets	2,695,360,786	10,909,810	2,706,270,596	5,388,086
Liabilities				
Accounts payable and other current liabilities	118,853,258	1,022,446	119,875,704	20,892
Due to primary government				231,288
Due to external parties	15,426,211		15,426,211	
Unearned revenue	3,498,836	2,552,666	6,051,502	
Noncurrent liabilities:				
Due within one year	27,587,464	212,122	27,799,586	
Due in more than one year	637,106,745	10,034,908	647,141,653	
Total liabilities	802,472,514	13,822,142	816,294,656	252,180
Net Position				
Net investment in capital assets	2,467,557,443	4,936,206	2,472,493,649	
Restricted for:				
Instructional Programs, Expendable				302,022
Scholarships, Non-Expendable				821,862
Unrestricted	(574,669,171)	(7,848,538)	(582,517,709)	4,012,022
Total net position	\$ 1,892,888,272	\$ (2,912,332)	\$ 1,889,975,940	\$ 5,135,906

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,510,082,837	\$ 3,278,289	\$ 37,353,076	\$ 26,003,795
Special education	436,204,642	216,835	35,573,853	
School administration	210,172,216		2,783,327	
Student personnel services	16,496,795		644,320	
Health services	17,336			
Total instruction	<u>2,172,973,826</u>	<u>3,495,124</u>	<u>76,354,576</u>	<u>26,003,795</u>
Support services:				
Student transportation	136,415,463	353,108	372,943	-
Operation of plant	158,947,644		7,243	3,352,053
Maintenance of plant	76,505,617		-	25,072,155
Administration	59,544,537		129,917	5,259,501
Community services	3,103,601		2,332,251	
Interest on capital leases	745,756			
Total support services	<u>435,262,618</u>	<u>353,108</u>	<u>2,842,354</u>	<u>33,683,709</u>
Total governmental activities	<u>2,608,236,444</u>	<u>3,848,232</u>	<u>79,196,930</u>	<u>59,687,504</u>
Business-type activities:				
Food services	52,926,067	16,631,652	35,934,919	1,877,408
Real estate management	2,845,571	2,744,862		
Field trips	1,803,944	1,786,478		
Entrepreneurial activities	2,356,182	1,974,638		
Total business-type activities	<u>59,931,764</u>	<u>23,137,630</u>	<u>35,934,919</u>	<u>1,877,408</u>
Total primary government	<u>\$ 2,668,168,208</u>	<u>\$ 26,985,862</u>	<u>\$ 115,131,849</u>	<u>\$ 61,564,912</u>
Component Unit:				
Educational Foundation	<u>\$ 1,324,934</u>	<u>\$ -</u>	<u>\$ 1,900,832</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,443,447,677)	\$ -	\$ (1,443,447,677)	\$ -
(400,413,954)		(400,413,954)	
(207,388,889)		(207,388,889)	
(15,852,475)		(15,852,475)	
(17,336)		(17,336)	
<u>(2,067,120,331)</u>	<u>-</u>	<u>(2,067,120,331)</u>	<u>-</u>
(135,689,412)		(135,689,412)	
(155,588,348)		(155,588,348)	
(51,433,462)		(51,433,462)	
(54,155,119)		(54,155,119)	
(771,350)		(771,350)	
(745,756)		(745,756)	
<u>(398,383,447)</u>	<u>-</u>	<u>(398,383,447)</u>	<u>-</u>
<u>(2,465,503,778)</u>	<u>-</u>	<u>(2,465,503,778)</u>	<u>-</u>
	1,517,912	1,517,912	
	(100,709)	(100,709)	
	(17,466)	(17,466)	
	(381,544)	(381,544)	
<u>-</u>	<u>1,018,193</u>	<u>1,018,193</u>	<u>-</u>
<u>(2,465,503,778)</u>	<u>1,018,193</u>	<u>(2,464,485,585)</u>	<u>-</u>
			<u>575,898</u>
1,672,780,820		1,672,780,820	
792,450,552		792,450,552	
1,930,243		1,930,243	
1,399,515	32,817	1,432,332	
<u>2,468,561,130</u>	<u>32,817</u>	<u>2,468,593,947</u>	<u>-</u>
3,057,352	1,051,010	4,108,362	575,898
1,889,830,920	(3,963,342)	1,885,867,578	4,560,008
<u>\$ 1,892,888,272</u>	<u>\$ (2,912,332)</u>	<u>\$ 1,889,975,940</u>	<u>\$ 5,135,906</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 20,845,104	\$ -	\$ -	\$ 20,845,104
Accounts receivable:				
Montgomery County	11,698,188	33,585,951		45,284,139
State of Maryland	9,552,682	14,897,452		24,450,134
Federal government	14,714,310	-		14,714,310
Other	25,909,296	133,654		26,042,950
Due from other funds	19,982,800	841,914	311,339	21,136,053
Due from fiduciary funds	97,374			97,374
Due from component unit	231,288			231,288
Inventories	7,643,560			7,643,560
Prepays	308,672			308,672
Due from employees	267,274			267,274
Total assets	<u>\$ 111,250,548</u>	<u>\$ 49,458,971</u>	<u>\$ 311,339</u>	<u>\$ 161,020,858</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,998,313	\$ 26,256,077	\$ 113	\$ 58,254,503
Retainage payable		8,637,794		8,637,794
Accrued salaries and withholdings	28,016,898			28,016,898
Due to other funds	5,120,881	14,565,100	6,631	19,692,612
Due to fiduciary funds	-			-
Unearned revenue	3,498,836			3,498,836
Compensated absences	6,443,387			6,443,387
Total liabilities	<u>75,078,315</u>	<u>49,458,971</u>	<u>6,744</u>	<u>124,544,030</u>
Fund Balances:				
Nonspendable:				
Inventories	7,643,560			7,643,560
Prepays	308,672			308,672
Restricted for:				
Instructional TV program			304,595	304,595
Assigned for:				
Instructional programs	2,510,534		-	2,510,534
Unassigned	25,709,467			25,709,467
Total fund balances	<u>36,172,233</u>	<u>-</u>	<u>304,595</u>	<u>36,476,828</u>
Total liabilities and fund balances	<u>\$ 111,250,548</u>	<u>\$ 49,458,971</u>	<u>\$ 311,339</u>	<u>\$ 161,020,858</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2014

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

Total fund balances - governmental funds		\$ 36,476,828
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 3,604,698,330	
Accumulated depreciation is	<u>(1,107,673,674)</u>	
		2,497,024,656
An internal service fund is used to account for the employee health benefit plan costs. The assets and liabilities of the internal service fund are included with governmental activities.		
		15,019,693
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Capital leases payable		(50,009,122)
Compensated absences	\$ (122,070,267)	
Compensated absences-Governmental Funds	<u>6,443,387</u>	
		(115,626,880)
Net pension asset		2,617,917
OPEB obligation		<u>(492,614,820)</u>
		<u>(655,632,905)</u>
Total net position - governmental activities		<u>\$ 1,892,888,272</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,532,076,344	\$ 190,345,366	\$ -	\$ 1,722,421,710
State of Maryland	757,945,145	44,201,628		802,146,773
Federal government	75,725,253	3,386,414		79,111,667
Other sources	<u>4,881,192</u>	<u>1,255,191</u>	<u>1,477,261</u>	<u>7,613,644</u>
Total revenues	<u>2,370,627,934</u>	<u>239,188,599</u>	<u>1,477,261</u>	<u>2,611,293,794</u>
Expenditures:				
Current:				
Administration	37,180,315			37,180,315
Mid-level administration	136,161,260			136,161,260
Instructional salaries and wages	862,096,690			862,096,690
Instructional textbooks and supplies	23,239,502			23,239,502
Other instructional costs	13,676,632			13,676,632
Special education	291,929,538			291,929,538
Student personnel services	10,682,855			10,682,855
Health services	16,388			16,388
Student transportation	101,036,031			101,036,031
Operation of plant	118,604,859			118,604,859
Maintenance of plant	33,947,985			33,947,985
Fixed charges	758,138,841			758,138,841
Community services	743,813		1,537,794	2,281,607
Debt service:				
Capital lease principal	11,135,051	10,556,426		21,691,477
Capital lease interest	529,342	216,414		745,756
Capital outlay		<u>237,654,916</u>		<u>237,654,916</u>
Total expenditures	<u>2,399,119,102</u>	<u>248,427,756</u>	<u>1,537,794</u>	<u>2,649,084,652</u>
Excess (deficiency) of revenues over expenditures	<u>(28,491,168)</u>	<u>(9,239,157)</u>	<u>(60,533)</u>	<u>(37,790,858)</u>
Other financing sources:				
Capital lease financing	<u>15,370,686</u>	<u>9,239,157</u>		<u>24,609,843</u>
Total other financing sources	<u>15,370,686</u>	<u>9,239,157</u>	<u>-</u>	<u>24,609,843</u>
Net change in fund balances	(13,120,482)	-	(60,533)	(13,181,015)
Fund balances - beginning	<u>49,292,715</u>	<u>-</u>	<u>365,128</u>	<u>49,657,843</u>
Fund balances - ending	<u>\$ 36,172,233</u>	<u>\$ -</u>	<u>\$ 304,595</u>	<u>\$ 36,476,828</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Total net change in fund balances - governmental funds \$ (13,181,015)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays for capital project assets (\$237,654,916 less non-capitalized items of \$59,687,501) plus capital outlays for general fund assets (\$15,406,052) exceed depreciation expense (\$88,323,118) in the current period. 105,050,349

The net effect of various miscellaneous transactions involving capital assets, such as the the loss on disposal of capital assets and the donation of land from developers is to decrease net position. (12,608,076)

Some of the capital assets and assets below the capitalization threshold acquired this year were financed with capital leases. The amount financed by capital leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. Also, expenditures for principal repayment of capital leases are measured by the amount of financial resources used by governmental funds and have no effect on net position. This is the amount by which new capital leases (\$24,609,843) exceeded principal payments (\$21,691,477) (2,918,366)

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

Annual OPEB cost	\$ (47,321,962)	
Compensated absences	(10,224,836)	
Change in net pension obligation	<u>1,528,401</u>	(56,018,397)

An internal service fund is used to charge the costs of the employee benefit plan to the individual funds. The net expense of the internal service fund is reported with governmental activities in the statement of activities. (17,267,143)

Change in net position of governmental activities \$ 3,057,352

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,448,250,594	\$ 1,448,250,594	\$ 1,448,376,344	1,448,376,344	\$ -
State of Maryland	-	605,119,787	605,119,787	608,146,722	611,416,674	3,269,952
Federal government	-	83,373,004	83,373,004	84,624,627	73,988,183	(10,636,444)
Other sources	-	12,529,099	12,529,099	8,104,648	4,881,192	(3,223,456)
Total revenues	-	2,149,272,484	2,149,272,484	2,149,252,341	2,138,662,393	(10,589,948)
Expenditures and encumbrances:						
Current:						
Administration	272,891	38,655,114	38,928,005	38,787,634	37,709,910	1,077,724
Mid-level administration	259,962	138,522,102	138,782,064	138,832,943	136,260,144	2,572,799
Instructional salaries and wages	-	881,826,121	881,826,121	875,498,821	861,825,041	13,673,780
Instructional textbooks and supplies	710,959	24,701,335	25,412,294	26,043,104	24,233,822	1,809,282
Other instructional costs	858,640	13,323,892	14,182,532	14,555,874	13,125,038	1,430,836
Special education	2,198,490	294,001,981	296,200,471	296,063,771	292,129,611	3,934,160
Student personnel services	281	10,961,860	10,962,141	11,026,382	10,683,058	343,324
Health services	-	37,402	37,402	37,402	16,388	21,014
Student transportation	337,244	97,873,591	98,210,835	98,304,643	98,058,767	245,876
Operation of plant	227,191	114,810,283	115,037,474	119,077,474	118,890,263	187,211
Maintenance of plant	577,939	34,060,918	34,638,857	34,668,857	34,145,123	523,734
Fixed charges	34,568	526,898,063	526,932,631	527,828,790	526,180,003	1,648,787
Community services	-	572,274	572,274	977,263	743,813	233,450
Total expenditures and encumbrances	5,478,165	2,176,244,936	2,181,723,101	2,181,702,958	2,154,000,981	27,701,977
Excess (deficiency) of revenues over expenditures and encumbrances	(5,478,165)	(26,972,452)	(32,450,617)	(32,450,617)	(15,338,588)	17,112,029
Excess (deficiency) of revenues over expenditures and encumbrances	(5,478,165)	(26,972,452)	(32,450,617)	(32,450,617)	(15,338,588)	17,112,029
Fund balance - beginning	5,478,165	26,972,452	32,450,617	32,450,617	54,693,672	22,243,055
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	39,355,084	\$ 39,355,084

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 1,730,714	\$ 1,730,714	\$ -
Cash and cash equivalents	6,129,713		6,129,713	
Investments - cash equivalents				47,823,456
Accounts receivable:				
Montgomery County	9,054		9,054	
State of Maryland	241,954		241,954	
Federal government	1,911,749		1,911,749	
Other		274,950	274,950	1,854,344
Due from other funds		199,142	199,142	4,809,542
Inventories	1,827,803	3,270	1,831,073	
Total current assets	<u>10,120,273</u>	<u>2,208,076</u>	<u>12,328,349</u>	<u>54,487,342</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	5,033,586	-	5,033,586	
Total noncurrent assets	<u>5,033,586</u>	<u>-</u>	<u>5,033,586</u>	<u>-</u>
Total assets	<u>15,153,859</u>	<u>2,208,076</u>	<u>17,361,935</u>	<u>54,487,342</u>
Liabilities				
Current liabilities:				
Accounts payable	879,806	142,640	1,022,446	259,354
Claims payable				20,252,056
Due to employees, advance premium withholdings				3,432,653
Due to other funds	6,416,828	35,297	6,452,125	
Due to external parties				15,523,586
Unearned revenue	2,143,878	408,788	2,552,666	
Capital leases - current	128,668	3,142	131,810	
Compensated absences - current	80,312		80,312	
Total current liabilities	<u>9,649,492</u>	<u>589,867</u>	<u>10,239,359</u>	<u>39,467,649</u>
Noncurrent liabilities:				
Net OPEB obligation	7,146,588		7,146,588	
Capital leases payable	341,754	319,139	660,893	
Compensated absences	1,943,881	283,546	2,227,427	
Total noncurrent liabilities	<u>9,432,223</u>	<u>602,685</u>	<u>10,034,908</u>	<u>-</u>
Total liabilities	<u>19,081,715</u>	<u>1,192,552</u>	<u>20,274,267</u>	<u>39,467,649</u>
Net Position				
Net investment in capital assets	4,936,206	-	4,936,206	
Unrestricted (deficit)	<u>(8,864,062)</u>	<u>1,015,524</u>	<u>(7,848,538)</u>	<u>15,019,693</u>
Total net position	<u>\$ (3,927,856)</u>	<u>\$ 1,015,524</u>	<u>\$ (2,912,332)</u>	<u>\$ 15,019,693</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 16,631,652	\$ -	\$ 16,631,652	\$ -
Rent and fees		6,505,978	6,505,978	
Employer's contributions				240,595,822
Members' contributions				24,495,160
Total operating revenues	<u>16,631,652</u>	<u>6,505,978</u>	<u>23,137,630</u>	<u>265,090,982</u>
Operating expenses:				
Salaries and wages	19,361,809	2,682,154	22,043,963	
Contracted services	1,517,856	574,056	2,091,912	
Supplies and materials	1,606,989	955,231	2,562,220	
Food purchases	14,624,051		14,624,051	
USDA commodities	2,679,472		2,679,472	
Other charges	12,407,925	2,793,514	15,201,439	1,550,741
Depreciation	727,965	742	728,707	
Benefits paid to plan members				224,648,796
Premiums paid to insurance companies				56,169,549
Total operating expenses	<u>52,926,067</u>	<u>7,005,697</u>	<u>59,931,764</u>	<u>282,369,086</u>
Operating income (loss)	<u>(36,294,415)</u>	<u>(499,719)</u>	<u>(36,794,134)</u>	<u>(17,278,104)</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	31,640,881		31,640,881	
State funds	1,614,566		1,614,566	
USDA commodities	2,679,472		2,679,472	
Investment income	32,817		32,817	10,961
Total nonoperating revenues	<u>35,967,736</u>	<u>-</u>	<u>35,967,736</u>	<u>10,961</u>
Income (loss) before capital contributions and transfers	<u>(326,679)</u>	<u>(499,719)</u>	<u>(826,398)</u>	<u>(17,267,143)</u>
Capital contributions - equipment	<u>1,877,408</u>		<u>1,877,408</u>	
Change in net position	<u>1,550,729</u>	<u>(499,719)</u>	<u>1,051,010</u>	<u>(17,267,143)</u>
Total net position - beginning	<u>(5,478,585)</u>	<u>1,515,243</u>	<u>(3,963,342)</u>	<u>32,286,836</u>
Total net position - ending	<u>\$ (3,927,856)</u>	<u>\$ 1,015,524</u>	<u>\$ (2,912,332)</u>	<u>\$ 15,019,693</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 16,810,515	\$ 6,572,499	\$ 23,383,014	\$ 24,550,700
Receipts from assessments made to other funds			-	240,706,464
Payments to suppliers	(18,405,659)	(1,467,770)	(19,873,429)	(56,136,815)
Payments to employees	(20,080,173)	(2,871,738)	(22,951,911)	
Payments for insurance claims			-	(223,494,693)
Payments for assessments made by other funds	(9,396,616)	(410,565)	(9,807,181)	
Payments for other operating expenses	(1,227,109)	(2,171,315)	(3,398,424)	(1,550,741)
Net cash provided (used) by operating activities	<u>(32,299,042)</u>	<u>(348,889)</u>	<u>(32,647,931)</u>	<u>(15,925,085)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	33,290,648		33,290,648	
Transfers (to) from other funds				(2,466,526)
Net cash provided (used) by noncapital financing activities	<u>33,290,648</u>	<u>-</u>	<u>33,290,648</u>	<u>(2,466,526)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	208,579		208,579	
Purchases of capital assets	(595,674)		(595,674)	
Principal paid on capital leases	(125,968)	(2,994)	(128,962)	
Net cash provided (used) by capital and related financing activities	<u>(513,063)</u>	<u>(2,994)</u>	<u>(516,057)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	32,817		32,817	(1,842,663)
Net cash provided by investing activities	<u>32,817</u>	<u>-</u>	<u>32,817</u>	<u>(1,842,663)</u>
Net increase (decrease) in cash and cash equivalents	511,360	(351,882)	159,477	(20,234,274)
Cash and cash equivalents - beginning	5,618,353	2,082,597	7,700,950	68,057,730
Cash and cash equivalents - ending	<u>\$ 6,129,713</u>	<u>\$ 1,730,714</u>	<u>\$ 7,860,427</u>	<u>\$ 47,823,456</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (36,294,415)	\$ (499,719)	\$ (36,794,134)	\$ (17,278,104)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	727,965	742	728,707	
USDA commodities used	2,679,472		2,679,472	
Effects of changes in operating assets and liabilities:				
Receivables		53,003	53,003	
Due from other funds				110,643
Non USDA inventories	(627,701)	37,000	(590,701)	
Accounts payable	575,402	(10,779)	564,623	32,732
Claims payable				1,154,104
Advance premium withholdings				55,540
Due to other funds	(604,465)	35,297	(569,168)	
Unearned revenue	178,863	13,518	192,381	
Net OPEB obligation	915,558		915,558	
Compensated absences	150,279	22,049	172,328	
Net cash provided (used) by operating activities	<u>\$ (32,299,042)</u>	<u>\$ (348,889)</u>	<u>\$ (32,647,931)</u>	<u>\$ (15,925,085)</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 1,877,408	\$ -	\$ 1,877,408	\$ -
USDA commodities received	(2,679,472)		(2,679,472)	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 16,038,534
Investments:		
Global equities	738,015,034	
Fixed income securities	332,559,263	
Real estate	97,767,382	
Alternative investments	208,848,111	
Short-term investments	35,389,626	
Total investments	1,412,579,416	-
Accounts receivable	543,139	1,904,693
Due from Internal Service Fund	15,523,586	
Due from County Consolidated Retiree Health Benefits Trust	179,466,120	
Due from General Fund	1,505,759	
Inventories		166,498
Total assets	1,609,618,020	\$ 18,109,725
LIABILITIES		
Accounts payable	20,187	1,572,689
Claims payable	6,599,723	
Due to general fund	1,603,134	
Due to student groups		16,537,036
Total liabilities	8,223,044	\$ 18,109,725
NET POSITION		
Held in trust for pension/other postemployment benefits	\$ 1,601,394,976	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 214,326,727
Members	52,046,489
Federal government - Medicare Part D	1,737,070
Total contributions	268,110,286
Investment earnings:	
Net increase in fair value of investments	182,887,132
Interest and dividends	23,452,924
Total investment earnings	206,340,056
Less investment expense:	
Investment fees and other	(2,968,661)
Total investment expense	(2,968,661)
Net investment earnings /loss	203,371,395
Total additions	471,481,681
DEDUCTIONS	
Benefits paid to plan members	148,395,766
Premiums paid to insurance companies	14,299,492
Administrative expenses	2,455,511
Total deductions	165,150,769
Change in net position	306,330,912
Net position - beginning	1,295,064,064
Net position - ending	\$ 1,601,394,976

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

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MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1	Summary of Significant Accounting Policies
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MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of Significant Accounting Policies

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

a) Reporting Entity

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

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

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

b) Basis of Presentation

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

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

MCPS reports the following major governmental funds:

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

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

MCPS reports the following major proprietary fund:

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

Additionally, MCPS reports the following fund types:

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

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

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

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

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

c) Measurement focus, basis of accounting

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. All governmental fund revenues are considered available if the revenues are collected within ninety days after year-end. MCPS' primary sources of funding are intergovernmental revenues which are either unrestricted as to purpose of expenditure or are restricted to a specific purpose. Unrestricted funds are recorded as revenues at the time of receipt or earlier if they meet the availability criterion. Restricted funds are recognized as revenue when all eligibility requirements imposed by the provider have been met and the resources are available. Restricted funds received in excess of recorded expenditures are recorded as unearned revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for principal and interest on capital leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from capital leases are reported as other financing sources.

All governmental and business-type activities of MCPS follow GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements which incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, AICPA, and Accounting Principles Board Opinions (APB), guidance issued before November 30, 1989. MCPS also has the option to follow subsequent private-sector guidance for its business-type activities and enterprise funds with certain limitations, but has elected not to do so.

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

d) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

e) Cash and Investments

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

Pension Trust Fund investments consist of separate and comingled funds carried at fair value. Equity and bond securities are valued at closing sales prices as reported on national or international securities exchanges at current exchange rates, or at closing bid prices as reported by investment dealers. The fair value of mortgages and real estate investments are based on independent appraisals. The fair value of private equity and hedge fund investments is based on information provided by fund managers.

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

The component unit invests in an external investment pool and equity and bond index funds. The Montgomery County investment pool invests funds for itself and participating agencies pursuant to the Annotated Code of Maryland, County Code and the county's short-term investment policy as approved by the County Council. The fair value of MCPS' position in the aforementioned pools is the same as the value of pool shares. The Foundation investing in the Common Fund Institutional Multi-strategy Equity and Bond Fund is stated at fair value.

f) Inventories and Prepaid Items

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

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

g) Capital Assets

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

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

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

h) Compensated Absences

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

i) Long-Term Obligations

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

j) Fund Balances

Governmental funds, in the fund financial statements, report fund balances according to classifications that provide an understanding of the nature of resources available for specific purposes and the extent of constraints that determine how funds can be spent. Governmental fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact, such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid items.

Restricted – Amounts for which constraints have been placed on the use of the resource either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Special Revenue Fund resources are restricted as to use to the instructional TV program only. The restriction exists by law under a Cable Franchise Agreement established by Montgomery County Code, Chapter 8A, *Cable Commission Law*.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation and resolution). Capital Projects Fund resources may only be used for construction projects specifically approved by the Montgomery County Council capital improvements program. These amounts cannot be used for any other purpose unless approved by the Montgomery County Council.

Assigned – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. This category includes resources MCPS has expressly assigned to specific purposes. An assignment may be determined, and amended, by the superintendent of schools, or designee.

Unassigned – This classification is the residual amount of the general fund balance and represents all spendable amounts that has not been restricted, committed, or assigned to specific purposes. In

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for a specific purpose for which amounts had been restricted, committed or assigned.

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

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

k) Governmental Accounting Standards Board (GASB) Pronouncements

MCPS has adopted Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of June 30, 2014, MCPS has no deferred outflows and inflows of resources to report.

MCPS has adopted Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The Statement enhances MCPS footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules.

MCPS has adopted Statement No. 66, *Technical Corrections 2012 – an amendment of GASB Statements No. 10 and 62*, Statement No. 69, *Government Combinations and Disposals of Government Operations* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The pronouncements had no impact on the financial statements.

l) Pending Pronouncements

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that MCPS has determined may have an impact on future financial statements.

Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*

The objective of this Statement requires MCPS to report on the government-wide statement of net position a "Net Pension Liability" if the obligation for pension benefits attributable to past service exceeds the resources held in the pension trust fund to pay benefits. If recognizing a Net Pension Liability on the financial statements, MCPS would be required to record a pension expense on the government-wide statement of activities. This Statement will become effective for the reporting period beginning after June 15, 2014. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

This is an amendment to GASB Pronouncement No. 68 and addresses an issue relating to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

simultaneously with the provisions of Statement 68. MCPS is currently evaluating the effect of implementation of this Statement.

2. Budgetary Information

a) Overview

The majority of current funding for MCPS is provided by Montgomery County, the State of Maryland, and the federal government. Under Maryland school statutes, the MCPS annual Operating Budget incorporating general, special revenue and enterprise funds is presented to the Montgomery County Council no later than March 1 and is to be adopted by the Council by May 31. In general, the county is then responsible to fund the budget so adopted, to the extent that funds are not raised from other sources (state and federal governments, etc.). The Board of Education has no power to levy taxes or to spend funds not appropriated by the Montgomery County Council.

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

The budgeted amounts reflected in the accompanying financial statements recognize budget revisions made during the year, all of which were properly reported and/or approved, as applicable.

Encumbrances outstanding at year-end in the governmental funds are reported for budgetary purposes in accordance with GAAP in order to preserve that portion of the appropriation. In the governmental funds for GAAP purposes, outstanding encumbrances are reported as restricted, committed, or assigned category of fund balance because they do not constitute expenditures or liabilities. Encumbrances outstanding for the proprietary funds are eliminated for financial statement presentation. Annual appropriations that are not restricted, committed, or assigned at year-end lapse. Outstanding encumbrances at year-end are reappropriated in the subsequent year.

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

b) Budgetary Presentation

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,138,662,393	\$ 2,154,000,981	\$ -	\$ (15,338,588)
Reconciling items:	-	-	-	-
2014 Encumbrances outstanding	-	(2,510,534)	-	2,510,534
Increase in compensated absences	-	292,428	-	(292,428)
State of Maryland retirement contributions	146,528,471	146,528,471	-	-
Montgomery County OPEB Contribution	83,700,000	83,700,000	-	-
Federal Medicare Part D contributions	1,737,070	1,737,070	-	-
Capital lease financing	-	15,370,686	15,370,686	-
As reported – GAAP basis	<u>\$ 2,370,627,934</u>	<u>\$ 2,399,119,102</u>	<u>\$ 15,370,686</u>	<u>\$ (13,120,482)</u>

Governmental funds encumbrances outstanding at June 30, 2014 include \$2,510,534 for General Fund and \$152,599,201 for Capital Projects Fund. Encumbrances are considered expenses for budgetary purposes, however are not considered liabilities or expenditures for GAAP purposes.

Beginning June 15 of each fiscal year, MCPS issues purchase orders and begins shipment of inventory to various locations for items such as instructional materials, textbooks, and construction contracts that will be charged to the budget of the next fiscal year. These obligations and warehouse shipments are not reflected in the accompanying financial statements. At June 30, 2014, \$ 5,540,439 of such purchase orders had been issued.

3. Deposits and Investments

Cash and investments at June 30, 2014, are summarized as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 22,575,818	\$ -
Cash and cash equivalents	6,129,713	112,477
Cash-fiduciary funds	16,038,534	-
Investments – cash equivalents	47,823,456	-
Investments	-	5,235,794
Investments-fiduciary funds	1,412,579,416	-
Total	<u>\$ 1,505,146,937</u>	<u>\$ 5,348,271</u>

Deposits and Investments Summary:

Deposits	\$ 44,579,832	\$ 112,477
Investments	1,460,561,419	5,235,794
Cash on hand	5,686	-
Total	<u>\$ 1,505,146,937</u>	<u>\$ 5,348,271</u>

a) Deposits

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, MCPS' deposits may not be returned to it. The Annotated Code of Maryland requires that public

MONTGOMERY COUNTY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2014, the reported balance of MCPS' deposits was \$44,579,832 and the bank balance was \$48,485,893. The bank balance was covered either by federal depository insurance or by collateral held by MCPS' agent in MCPS' name.

b) Investments

Investments as of June 30, 2014, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 696,536,522
Fixed income securities	322,795,215
Real estate	97,767,382
Alternative investments	208,848,111
Short-term investments	35,389,618
Subtotal Pension Trust Investments	<u>1,361,336,848</u>
OPEB Plan Trust Investments:	
Short-term investments	8
Equities index funds	41,478,512
Bond index fund	9,764,048
Subtotal OPEB Plan Trust investments	<u>51,242,568</u>
Other Investments:	
Mutual funds	47,982,003
Total investments	<u>\$ 1,460,561,419</u>

Interest rate risk. MCPS manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolios. Internal pooled investments duration is limited to less than six months. The investment policy of the Centralized Investment Fund limits maturity to three years or less. The Pension Trust investment policy specifies that fixed-income portfolio duration should track the benchmark to the Barclays Intermediate Aggregate Bond Index. The OPEB Plan Trust investment policy requires that the weighted average duration of the portfolio not vary from the Barclays Intermediate Aggregate Bond Index by more than plus or minus 20 percent. During 2014, the investment portfolios were managed within the duration guidelines specified in each of the respective investment policies.

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

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As of June 30, 2014, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 13,834,030	5.24
Government mortgage-backed securities	11,739,286	4.25
Asset-backed securities	3,215,083	1.81
Commercial mortgage-backed securities	5,199,000	2.73
Collateralized mortgage obligations	2,180,433	1.92
Corporate bonds	14,170,273	8.16
Sovereign bonds	357,350	4.64
Blackrock US debt fund	136,807,471	3.89
SSgA US aggregated bond index	135,292,289	4.26
Short-term	35,389,618	N/A
Sub-total Pension Trust Investments	358,184,833	
Other Investments:		
OPEB Plan Trust bond index fund	9,764,048	N/A
Total	<u>\$ 367,948,881</u>	

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

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

Pension Trust fixed-income investments at June 30, 2014, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	3.8 %	\$ 13,834,030
AAA	0.8	2,719,780
AA	3.9	14,058,067
A	1.4	4,900,284
BBB	3.2	11,442,063
BB	0.1	231,716
B	0.1	223,062
Not rated	86.7	310,775,831
Total	<u>100.0 %</u>	<u>\$ 358,184,833</u>

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

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

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

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

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

During 2014, individual holdings in the investment portfolios did not exceed policy guidelines.

Foreign currency risk. The Pension Trust's exposure to foreign currency risk is derived from its positions in foreign currency denominated investments. The investment policy of the Pension Trust provides guidance for the amount of investments made in foreign currency-denominated equity securities. The target allocation for foreign currency-denominated equity investments is 19 percent. The investment policy states that investment managers are, to diversify the portfolio under their management to minimize the risk of large losses. The system's foreign currency risk at June 30, 2014, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
European Currency Unit	\$ 17,154	\$ 9,028,342	\$ 9,045,496
Japanese Yen	6,231		6,231
Swiss Franc	76,785		76,785
Total	\$ <u>100,170</u>	\$ <u>9,028,342</u>	\$ <u>9,128,512</u>

Commitments. At June 30, 2014, outstanding commitments with private equity fund managers were \$45,646,526.

c) Cash on Hand

At year-end, the primary government had \$5,686 on hand in petty cash accounts.

4. Interfund Receivables and Payables

Balances due to/from other funds at June 30, 2014, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 14,571,731
Due to the general fund from enterprise funds representing advances of pooled cash	6,452,125
Due to the internal service fund from the general fund for employee benefit plan expenditures	5,120,881
Due to pension and employee benefits trust funds representing OPEB investments held in a non irrevocable trust by the internal service fund	17,029,345
Total	\$ <u>43,174,082</u>

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

Due from other funds, Balance Sheet-Governmental Funds	\$ 21,136,053
Due from other funds, Statement of Net Position-Proprietary Funds	199,142
Due from general fund from internal service fund, statement of Net Position-Proprietary Funds	4,809,542
Due from general and internal service funds, Statement of Net Position-Fiduciary Funds	<u>17,029,345</u>
Total	\$ <u>43,174,082</u>

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

5. Due From Employees

The \$267,274 reported as due from employees arose from past transition to a unified pay cycle calendar for twelve-month employees. Repayment is made from final paychecks when employees separate from active employment with MCPS.

6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	Increases	Decreases	Ending <u>Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 79,300,160	\$ 1,879,300	\$ -	\$ 81,179,460
Construction in progress	<u>43,674,470</u>	<u>119,653,673</u>	<u>63,002,569</u>	<u>100,325,574</u>
Total nondepreciable capital assets	<u>122,974,630</u>	<u>121,532,973</u>	<u>63,002,569</u>	<u>181,505,034</u>
Depreciable capital assets:				
Buildings and improvements	2,880,476,218	111,987,281	36,302,789	2,956,160,710
Site improvements	295,539,987	7,449,728	786,411	302,203,304
Vehicles and equipment	<u>157,789,381</u>	<u>15,406,052</u>	<u>8,366,151</u>	<u>164,829,282</u>
Total depreciable capital assets	<u>3,333,805,586</u>	<u>134,843,061</u>	<u>45,455,351</u>	<u>3,423,193,296</u>
Less accumulated depreciation for:				
Buildings and improvements	897,035,480	72,272,678	23,974,159	945,333,999
Site improvements	56,236,687	5,605,090	579,413	61,262,364
Vehicles and equipment	<u>98,925,664</u>	<u>10,445,350</u>	<u>8,293,703</u>	<u>101,077,311</u>
Total accumulated depreciation	<u>1,052,197,831</u>	<u>88,323,118</u>	<u>32,847,275</u>	<u>1,107,673,674</u>
Total depreciable capital assets, net	<u>2,281,607,755</u>	<u>46,519,943</u>	<u>12,608,076</u>	<u>2,315,519,622</u>
Government activities capital assets, net	<u>\$ 2,404,582,385</u>	<u>\$ 168,052,916</u>	<u>\$ 75,610,645</u>	<u>\$ 2,497,024,656</u>
	Beginning <u>Balance</u>	Increases	Decreases	Ending <u>Balance</u>
Business-Type Activities:				
Depreciable capital assets:				
Vehicles and equipment	\$ 17,503,501	\$ 2,482,383	\$ 477,391	\$ 19,508,493
Total depreciable capital assets	<u>17,503,501</u>	<u>2,482,383</u>	<u>477,391</u>	<u>19,508,493</u>
Less accumulated depreciation for:				
Vehicles and equipment	<u>14,214,291</u>	<u>728,707</u>	<u>468,091</u>	<u>14,474,907</u>
Total accumulated depreciation	<u>14,214,291</u>	<u>728,707</u>	<u>468,091</u>	<u>14,474,907</u>
Business-type activities capital assets, net	<u>\$ 3,289,210</u>	<u>\$ 1,753,676</u>	<u>\$ 9,300</u>	<u>\$ 5,033,586</u>

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

Governmental Activities:

Regular instruction	\$	74,291,862
Special education		173,857
School administration		87,932
Student transportation		8,142,491
Operation of plant		127,613
Maintenance of plant		4,797,753
Administration		701,610
Total depreciation expense-governmental activities	\$	<u>88,323,118</u>

Business-Type Activities:

Food services	\$	727,965
Real estate management		742
Total depreciation expense-business-type activities	\$	<u>728,707</u>

Commitments for ongoing construction in progress at June 30, 2014, are \$152,599,201.

7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2014 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 58,513,857	\$ 1,022,446	\$ 59,536,303
Retainage payable	8,637,794		8,637,794
Accrued salaries and withholdings	28,016,898		28,016,898
Claims payable	20,252,056		20,252,056
Due to employees-advance premium withholding	3,432,653		3,432,653
Total accounts payable and other current liabilities	\$ 118,853,258	\$ 1,022,446	\$ 119,875,704

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$6,200,000 in 2014. Commitments for fiscal year 2015 under lease agreements are approximately \$5,800,000. Lease agreements typically provide for automatic yearly termination on July 1 of any year in which funds to meet rental payments are not appropriated.

b) Capital Leases

Under a master lease arrangement, MCPS acquires school buses, vehicles, technology and other equipment under noncancelable capital leases that expire at various times through fiscal year 2019. Lease payments, including interest, in fiscal year 2014 were \$11,664,394 for the General Fund, \$10,772,839 for the Capital Projects Fund and \$195,327 for the Enterprise Funds.

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Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Vehicles and equipment	\$ 55,517,131	\$ 241,670
Less: accumulated depreciation	(12,360,439)	(72,501)
Total	<u>\$ 43,156,692</u>	<u>\$ 169,169</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Fiscal year ending June 30	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015	\$ 19,314,435	\$ 155,789
2016	15,171,750	471,630
2017	10,319,328	86,827
2018	4,449,865	86,827
2019	<u>2,459,842</u>	<u>44,069</u>
Total minimum lease payments	51,715,220	845,142
Less : Amount representing interest	(1,706,098)	(52,439)
Present value of future minimum lease payments	<u>\$ 50,009,122</u>	<u>\$ 792,703</u>

\$29,467,213 of outstanding capital lease obligations for governmental activities at June 30, 2014, was used to acquire capital assets.

9. Long-Term Liabilities

Long-term liability activities during 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 47,090,756	\$ 24,609,843	\$ 21,691,477	\$ 50,009,122	\$ 18,529,996
Compensated absences	111,553,003	21,350,971	10,833,707	122,070,267	9,057,468
Net OPEB obligation	445,292,858	74,225,450	26,903,488	492,614,820	-
Total	<u>\$ 603,936,617</u>	<u>\$ 120,186,264</u>	<u>\$ 59,428,672</u>	<u>\$ 664,694,209</u>	<u>\$ 27,587,464</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Capital leases	\$ 713,086	\$ 252,648	\$ 173,031	\$ 792,703	\$ 131,810
Compensated absences	2,135,410	257,108	84,779	2,307,739	80,312
Net OPEB obligation	6,231,030	1,305,860	390,302	7,146,588	-
Total	<u>\$ 9,079,526</u>	<u>\$ 1,815,616</u>	<u>\$ 648,112</u>	<u>\$ 10,247,030</u>	<u>\$ 212,122</u>

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

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10. Risk Management

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

The active employees' health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The postemployment health benefits plan is financed through a fiduciary fund, the OPEB Plan Trust. The funds provide plan coverage for active and retired employees under contracts with several insurance companies and health maintenance organizations (HMO's). MCPS funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 13). Claims payable of \$20,252,056 and \$6,599,723 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2014, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in claims payable for fiscal years 2013 and 2014 are reflected below.

	<u>Beginning Payable</u>	<u>Incurred Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>Ending Payable</u>
2014				
Internal Service Fund	\$ 19,097,953	\$ 224,648,796	\$ (223,494,693)	\$ 20,252,056
Fiduciary Funds	5,749,009	72,248,294	(71,397,580)	6,599,723
Total	<u>\$ 24,846,962</u>	<u>\$ 296,897,090</u>	<u>\$ (294,892,273)</u>	<u>\$ 26,851,779</u>
2013				
Internal Service Fund	\$ 19,401,716	\$ 207,271,473	\$ (207,575,236)	\$ 19,097,953
Fiduciary Funds	5,709,983	68,261,291	(68,222,265)	5,749,009
Total	<u>\$ 25,111,699</u>	<u>\$ 275,532,764</u>	<u>\$ (275,797,501)</u>	<u>\$ 24,846,962</u>

11. Defined Benefit Pension Plans

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

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State Plans

Plan Description. Eligible MCPS professional and administrative employees participate in one of two state plans, the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System, the costs of which are borne by the state. Effective January 1, 1980, new MCPS teacher and administrative personnel became members of the Maryland State Teachers' Pension System. Members in the existing Maryland State Teachers' Retirement System had the option to transfer from the old to the new plan. Benefits at retirement are based upon years of service and the average earned compensation of an eligible employee during any three consecutive years (five years for employees hired after June 30, 2011) that provide the highest average earned compensation. Benefits vest after five years (ten years for employees hired after June 30, 2011) of creditable service.

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

Funding Policy. Covered employees are, by statute, required to contribute 7 percent of salary. The employer's share of contributions to these two plans for MCPS employees, which amounted to \$146,528,471, \$129,419,277, and \$171,195,425 in 2014, 2013 and 2012 respectively, was the legal responsibility of the state. MCPS has recognized in the governmental fund statements revenue and expenditures in the amount equal to the state's contribution payment.

Effective July 1, 2012, The Maryland Legislature enacted a requirement for Local Education Agencies (LEA) to contribute a portion of the employer's share. The legislation specifies the annual amount to be contributed by each LEA through fiscal 2016. As a result, MCPS contributed \$34,511,689 toward the employer's share of the contribution in 2014. For 2015, MCPS is required to contribute \$44,151,153 toward the employer's contribution.

MCPS Plan

Plan Description. The MCPS Employees' Retirement and Pension System is funded and administered as a single plan with three separate benefit structures: the retirement system, the pension system, and the reformed pension system. Retirement system benefits cover employees hired prior to January 1, 1980. The retirement system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Retirement System and supplements the state benefits to members of the Maryland State Teachers' Retirement System. Benefits at retirement are based on years of service and the average earned compensation of an eligible employee during any three years (five years for employees hired after June 30, 2011) that provide the highest average earned compensation, and are adjusted for changes in the consumer price index after retirement. Benefits at early retirement are reduced by an early retirement factor. Benefits vest after five years (ten years for employees hired after June 30, 2011) of creditable service.

Pension system benefits cover employees hired after January 1, 1980. Reformed pension system benefits cover employees hired on or after July 1, 2011. Members in the retirement system may elect to participate in the pension system, in which case their excess contributions are refunded. The pension system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Pension System and supplements the state benefits to members of the Maryland State Teachers' Pension System. Benefits are based on years of service and a percentage of the average earned compensation of an eligible employee during any three consecutive years (five years for employees hired after June 30, 2011) that provide the highest average earned compensation and are adjusted for changes in the consumer price index after retirement of not more than 2 percent per year. Benefits at early retirement are reduced by an early retirement factor. Benefits vest only after five years (ten years for employees hired after June 30, 2011) of creditable service.

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At July 1, 2013 the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	11,602
Terminated plan members entitled to benefits but not yet receiving them	4,522
Active plan members	<u>22,001</u>
Total	<u>38,125</u>

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

Funding Policy: Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5 percent and 7.5 percent, respectively, of their salary to the plan. MCPS is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board of Education. Administrative costs are financed through investment earnings.

Effective July 1, 2011, The Board of Education adopted plan amendments to the core MCPS Pension System that generally mirror State of Maryland plan changes. This is called the reformed pension plan. In addition to plan amendments presented above, for employees hired after June 30, 2011, plan benefit changes were made, as follows:

- The core benefit multiplier was reduced from 1.8 percent to 1.5 percent.
- Normal service retirement eligibility was changed to either the Rule of 90 or 65 years with ten years of service. Early retirement eligibility was changed to age 60 with fifteen years of service.

The MCPS contribution rate as a percentage of annual covered payroll for FY 2014 and FY 2015 are 5.74% and 5.73%, respectively. In 2014, the Board of Education adopted a practice to maintain FY 2014 rate of contribution until the plan's funded status reaches 80 percent.

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

Annual required contribution (ARC)/pension cost	\$ 79,016,414
Contributions made	<u>80,544,815</u>
Change in net pension asset	(1,528,401)
Net pension asset beginning of year	<u>(1,089,516)</u>
Net pension asset end of year	<u>\$ (2,617,917)</u>

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	\$ 68,921,784	101 %	\$ (1,892,720)
2013	74,459,960	99	(1,089,516)
2014	79,016,414	102	(2,617,917)

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The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation, using the projected unit credit cost method and, except as noted, the same actuarial assumptions used in the latest actuarial valuation, as follows:

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	July 1, 2006 and July 1, 2010 Plan Amendments: Amortized over 30 years All other: Level percentage of projected payroll. Increasing 3% per year. Open for gains/losses. Closed for other changes.
Remaining amortization period	July 1, 2006 plan amendments: 23 years July 1, 2010 plan amendments: 27 years All other: 15 years
Asset valuation method	5-year, smoothed market
Actuarial Assumptions:	
Investment rate of return	7.5%
Inflation rate	3.0%
Projected salary increases	3.25-8.25%
Cost of living adjustments	1.95% - 3%

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 1,609,058,389
Actuarial value of plan assets	1,110,416,887
Unfunded actuarial accrued liability (UAAL)	<u>\$ 498,641,502</u>
Funded ratio (actuarial value of plan assets/AAL)	69.01%
Covered payroll (active plan members)	\$ 1,358,290,896
UAAL as a percentage of covered payroll	36.71%

Actuarial values of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

12. GASB 67 –Financial Reporting for Pension Plans

MCPS has adopted Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Statement enhances MCPS footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local governmental pension plans.

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Net Pension Liability. The net pension liability of the trust as of June 30, 2014 was for measurement date June 30, 2014. It was as follows:

Total pension liability	\$1,856,000,697
Plan fiduciary net position	<u>(1,359,733,714)</u>
Net pension liability	<u>\$ 496,266,983</u>

Plan fiduciary net position as a percentage of the total pension liability 73.3%

Method and assumptions used to determine Net Pension Liability were as follows:

Valuation date	July 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method-Accounting	Plan changes are immediate, assets are over a 5 year closed period and liability changes are over the average working lifetime of all participants
Amortization method-Funding	Plan changes are on a 30 year closed amortization method and gain/losses, assumption and methods changes are on an open 15 year amortization
Asset valuation method	5 year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Age based 3.25-8.25%
Cost of living adjustments	1.95% - 3%
General inflation	3%
Retirement	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rate	RP2000 Mortality table, sex distinct, projected to the year 2022

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2014.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of return</u>
Fixed income	4.7%
Equities	8.4%
Real estate	8.0%
Private equity	5.7%
Short-term investment	3.0%

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flow to determine the discount rate assumed the contributions from plan members will be made at the current contribution rate and that contributions from MCPS will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

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 NOTES TO THE FINANCIAL STATEMENTS
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following presents the net pension liability of MCPS calculated using the discount rate of 7.5%, as well as what MCPS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$755,718,660	\$496,266,983	\$282,538,419

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2014 was 15.75%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

13. Postemployment Healthcare Benefits

Plan Description. OPEB Plan Trust is a single-employer defined benefit healthcare plan funded and administered by MCPS. Employees receiving a Board of Education approved retirement are eligible, in accordance with bargaining agreements between the Board of Education and employee associations, for continued healthcare coverage if they have been covered under the MCPS Employee Benefit Plan for at least five years, (ten years for employees hired after July 1, 2011). Terminated employees are not eligible to participate in the plan. The OPEB Plan provides medical, dental, vision, prescription drug and life insurance benefits for retirees and their dependents. Authority to establish and amend benefit provisions resides with the Board of Education.

Plan membership consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	11,511
Active plan members	21,718
Total	33,229

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

Funding Policy: The Board of Education has the authority to establish and amend contribution requirements of the plan members and MCPS. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and MCPS contributes 64 percent toward the current cost of healthcare benefits. Effective for employees hired July 1, 2011 and for certain employees hired as of July 1, 2006, a tiered contribution structure is in effect, with MCPS contribution levels of 40, 50, or 60 percent respectively based on years of service. During fiscal year 2014, plan members and beneficiaries receiving benefits contributed \$30,468.89 (approximately 18.4 percent of current contributions). MCPS and other contributing entities' contributed \$135,518,982 (approximately 81.6 percent of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust. In 2014, the Montgomery County Council contributed \$83,700,000 on behalf of MCPS employees.

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, (AAL) was \$1,809.9 million and the unfunded AAL (UAAL) was \$1,738.2 million. Actuarial plan assets were \$71.7 million and the funded ratio was 4 percent. The annual covered payroll of active employees covered by the plan was \$1,342.3 million, and the ratio of the UAAL to covered payroll was 129.5 percent.

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

Annual OPEB Cost and Net OPEB Obligation. MCPS' annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. MCPS has agreed with the Montgomery County Council that MCPS would transition to full funding of the ARC over a period of eight years. The following table shows the components of MCPS' annual OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$	177,186,000
Interest on net OPEB obligation		33,864,292
Adjustment to annual required Contribution		<u>(27,293,790)</u>
Annual OPEB cost		183,756,502
Contributions made		<u>135,518,982</u>
Increase in net OPEB obligation		48,237,520
Net OPEB obligation – beginning of year		<u>451,523,888</u>
Net OPEB obligation – end of year	\$	<u><u>499,761,408</u></u>

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

Year ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2012	\$ 165,765,037	44.4%	\$ 396,719,175
2013	167,139,220	67.2	451,523,888
2014	183,756,502	73.7	499,761,408

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Investment return	7.5%
Inflation rate	3.0%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	8.0%, 4.5%
Medical post-65	7.0%, 4.5%
Prescription drugs	8.5%, 4.5%
Dental	5.5%, 4.5%
Vision	Flat 0%
Amortization method	Level percentage of projected payroll Increasing 3% per year. Open basis
Remaining amortization period	30 years
Projected salary increases	3.25-8.25%

14. Trust Plans Condensed Financial Statements

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

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 1,361,336,848	\$ 248,281,172	\$ 1,609,618,020
Total assets	<u>1,361,336,848</u>	<u>248,281,172</u>	<u>1,609,618,020</u>
Liabilities:			
Total liabilities	<u>1,603,134</u>	<u>6,619,910</u>	<u>8,223,044</u>
Net Position:			
Held in trust for pension/ Other postemployment benefits	\$ <u>1,359,733,714</u>	\$ <u>241,661,262</u>	\$ <u>1,601,394,976</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 102,123,115	\$ 165,987,171	\$ 268,110,286
Net investment earnings	179,375,231	23,996,164	203,371,395
Total additions	<u>281,498,346</u>	<u>189,983,335</u>	<u>471,481,681</u>
Deductions:			
Benefit and premium payments	76,147,472	86,547,786	162,695,258
Administrative expenses	2,163,665	291,846	2,455,511
Total deductions	<u>78,311,137</u>	<u>86,839,632</u>	<u>165,150,769</u>
Change in net position	203,187,209	103,143,703	306,330,912
Net position - beginning	1,156,546,505	138,517,559	1,295,064,064
Net position - ending	<u>\$ 1,359,733,714</u>	<u>\$ 241,661,262</u>	<u>\$ 1,601,394,976</u>

15. Contingencies

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

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

Federal Financial Assistance. MCPS receives financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned on compliance with terms and conditions of the grant agreements and applicable Federal regulations, including expenditures of resources for eligible purposes. All grants are subject to financial and compliance audits. Any disallowances as a result of these audits become a liability of the fund that received the grants.

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

MONTGOMERY COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
 YEAR ENDED JUNE 30

	2014
Total pension Liability	
Service Cost	44,473,180
Interest	135,569,336
Benefit Changes	
Different between Actual & Expected if any	(49,387,649)
Assumption Changes	
Benefit Payments	(75,544,279)
Refund	
Net Change in Total Pension Liability	55,110,588
Total Pension Liability -Beginning	1,800,890,109
Total Pension Liability -Ending (a)	\$ 1,856,000,697
Plan Fiduciary Net Position	
Contribution -Employer	80,544,815
Contribution -Employee	21,578,300
Net Investment Income	179,375,231
Benefit Payments	(76,147,472)
Refund	
Admin Expense	(2,163,665)
Other	
Net change in Plan Fiduciary Net Position	203,187,209
Plan Fiduciary Net Position -beginning	1,156,546,505
Plan Fiduciary Net Position -Ending (b)	\$ 1,359,733,714
Net Pension on Liability -Ending (a-b)	496,266,983
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.3%
Covered Employee Payroll	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Employee Payroll	35.7%
Notes to Schedule	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE EMPLOYER'S NET PENSION LIABILITY

FY Ending	Total Pension	Plan Net	Net Pension	Plan Net Postion	Covered	Net Pension Liability
30-Jun	Liability	Position	Liability	as a % of	Payroll	as a % of
				Total pension		Covered Payroll
				Liability		
2014	1,856,000,697	1,359,733,714	496,266,983	73.26%	1,390,868,330	35.68%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 77,844,763	\$ 80,544,814.85	\$ (2,700,052)	1,390,868,330	0.057909734

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SCHEDULE OF INVESTMENT RETURNS
 YEAR ENDED JUNE 30

Fiscal year ending June 30	2014
Actual money weighted rate of return, net of investment expense	15.75%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

MONTGOMERY COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

OPEB PLAN TRUST

Schedule of Funding Progress
 (000'S omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/2007	\$ -	\$ 1,299,106	\$ 1,299,106	0.0%	\$ 1,215,302	106.9%
7/01/2008	16,662	1,256,907	1,240,207	1.3	1,327,593	93.4
7/01/2010	33,156	1,568,612	1,535,456	2.1	1,346,387	114.0
7/01/2012	71,693	1,809,882	1,738,189	4.0	1,342,294	129.5

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

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation
		MCPS	Other Contributing Entities	
2009	\$ 122,819	48.0%	2.1%	\$ 128,599
2010	131,690	30.8	3.5	217,751
2011	131,690	33.7	3.4	304,556
2012	161,224	30.8	14.9	396,719
2013	161,224	32.0	37.7	451,524
2014	177,186	28.3	34.2	499,761

SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2014

Capital Projects Fund — The Capital Projects Fund is used to account for financial resources used in the acquisition or construction of school sites and buildings and other major capital facilities.

Special Revenue Fund (nonmajor) — The Special Revenue Fund is used to account for the receipt and expenditure of Cable TV franchise fees that are restricted as to purpose and use.

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 288,008,415	\$ 296,682,415	226,131,165	\$ (70,551,250)
State of Maryland	40,974,179	46,024,067	42,779,970	(3,244,097)
Federal	419,608	3,803,847	3,384,239	(419,608)
Other sources	1,612,740	1,612,740	1,243,440	(369,300)
Total revenues	331,014,942	348,123,069	273,538,814	(74,584,255)
Expenditures and encumbrances:				
Capital outlay	331,014,942	348,123,069	273,538,814	74,584,255
Total expenditures and encumbrances	331,014,942	348,123,069	273,538,814	74,584,255
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

**MONTGOMERY COUNTY PUBLIC SCHOOL
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2014**

FMS Award	Project Name	Project Authorization	Expended to Jun 30, 2014	Committed	Available for Future Expenditure
000000	Unliquidated Surplus for Local Funds	\$ 1,352,600	\$ -	\$ -	1,352,600
006503	Water and Indoor Air Quality Improvements Local	1,056,257	395,000	8,152	653,105
016532	Fire Safety Code Upgrades Local Funding	793,071	269,474	227,289	296,308
036510	Technology Modernization	14,333,938	-	(508)	14,334,446
056501	Restroom Renovations Local Funding	293,978	255,066	3,665	35,247
056504	Fields Road Elementary School Addition	9,257,200	9,257,200	-	-
076506	Building Modifications and Program Improvement:	3,425,346	2,316,891	717,214	391,241
079622	2011 Energy Conservation - ARRA Grant	85,457	-	5,470	79,987
096501	Fairland Elementary School Local Funding	6,988,000	6,252,058	350,847	385,097
096503	Harmony Hills Elementary School Local Funding	2,467,000	2,145,340	14,494	307,166
096505	Montgomery Knolls Elementary School Local	3,491,000	3,090,281	11,010	389,709
106500	County Water Quality Compliance	3,100	-	-	3,100
116503	Bradley Hills Elementary School Addition 2013	17,949,000	17,702,007	118,424	128,569
116504	Clarksburg Cluster ES (Clarksburg Village Site #1	28,218,000	22,129,111	2,070,601	4,018,288
116505	Clarksburg High School Local Funding	11,294,000	1,496,560	5,390,039	4,407,401
116506	Clarksburg/Damascus Middle School (New)	2,614,000	1,353,335	602,438	658,227
116507	Darnestown Elementary School Addition 2013	15,400,000	15,041,412	280,692	77,896
116508	Georgian Forest Elementary School Addition 2013	10,620,000	10,077,615	(51,153)	593,538
116510	Viers Mill Elementary School Addition 2013	11,177,000	10,880,361	24,964	271,675
116511	Waters Landing ES Addition 2014	8,827,000	6,293,063	1,515,976	1,017,961
116512	Westbrook Elementary School Addition 2013	11,805,000	11,767,818	(52,672)	89,854
116513	Wyngate Elementary School Addition 2013	10,230,000	9,779,551	24,896	425,553
126500	WSSC Compliance 2012	1,824,683	-	606,569	1,218,114
136500	Arcola Elementary School Local Funding	3,711,000	1,161,268	2,166,712	383,020
136501	Bethesda Elementary School Local Funding	3,799,000	286,011	3,060,731	452,258
136502	Bethesda-Chevy Chase Middle School #2 2017	2,698,000	840,895	1,571,173	285,932
136504	North Chevy Chase Elementary School Local Fun	6,560,000	1,746,462	3,336,723	1,476,815
136506	Rosemary Hills Elementary School Local Funding	5,536,000	1,637,060	3,233,672	665,268
136507	Julius West Middle School Addition 2016	817,000	435,586	331,140	50,274
136508	Wood Acres Elementary School Addition 2016	464,000	313,066	147,835	3,099
136510	Modifications to Holding, Special Education & Alte	2,619,660	-	44,910	2,574,750
546034	Land Acquisition Local Funding	1,398,073	-	-	1,398,073
746032	Design and Construction Management Local Func	607,066	-	30,385	576,681
766995	Roof Replacement	12,164,761	4,710,778	4,976,315	2,477,668
796222	Energy Conservation	4,465,240	-	2,466,501	1,998,739
796235	ADA Compliance Local Funding	6,886,402	-	576,895	6,309,507
816633	HVAC Replacement	27,636,835	17,629,652	6,643,600	3,363,583
816695	Asbestos Abatement Local Funding	548,537	-	176,177	372,360
846540	Relocatable Classrooms Local Funding	4,864,245	-	1,869,331	2,994,914
876544	Stadium Lighting	350,872	-	-	350,872
886550	School Gymnasiums Local Funding	16,477,350	16,119,964	46,646	310,740
896586	Planned Life Cycle Asset Replacement	3,150,243	2,234,204	807,215	108,824
916587	Rehab/Renovation of Closed Schools Local Fundi	21,660,911	20,797,372	7,726	855,813
926557	School Security Systems	1,407,742	-	1,154,547	253,195
926575	Current Replacements/Modernizations	456,518,482	334,721,584	105,879,598	15,917,300 *
956547	Educational Technology (Global Access)	12	-	0	12
956550	Stormwater Management	1,302,323	-	246,630	1,055,693
966553	Facility Planning Local Funding	1,337,603	-	642,652	694,951
975051	Improved (Safe) Access to Schools Local Funding	2,111,910	749,625	1,313,680	48,605
996552	Current Modernizations-Walter Johnson HS Turf C	335,000	330,088	-	4,912
996562	Carderock Springs ES Educational Foundation	154,648	-	-	154,648
Total Open & Interim Projects		763,088,545	534,215,756	152,599,201	76,273,588
Capitalized land, equipment and furniture, and iter		(13,148,594)	(13,148,594)		
Interim closing of open projects **		(420,741,588)	(420,741,588)		
Residual building value transfer ***					
Total construction in progress		\$ 329,198,363	\$ 100,325,574	\$ 152,599,201	\$ 76,273,588

* Appropriations for school modernizations are approved by the Montgomery County Council in the aggregate as one project, although MCPS separately accounts for each modernization. The school modernization project, in the aggregate, does not exceed the legally appropriated project authorization at June 30, 2014.

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

*** Represents undepreciated residue value of building transfer to construction.

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,477,261	\$ 1,477,261	\$ 1,477,261	\$ -
Total revenues	-	1,477,261	1,477,261	1,477,261	-
Expenditures and encumbrances:					
Community services	29,279	1,477,261	\$ 1,506,540	1,538,549	(32,009)
Total expenditures and encumbrances	29,279	1,477,261	1,506,540	1,538,549	(32,009)
Excess of expenditures and encumbrances over revenues	(29,279)		(29,279)	(61,288)	(32,009)
Fund balance - beginning	-		-	365,128	365,128
Fund balance - ending	\$ (29,279)	\$ -	\$ (29,279)	\$ 303,840	\$ 333,119
Reconciliation to GAAP fund balance: 2013 encumbrances outstanding				755	
Fund balance - GAAP basis				\$ 304,595	

NONMAJOR ENTERPRISE FUNDS

June 30, 2014

Real Estate Management – Accounts for the rental of surplus space in school buildings for complementary programs such as child care, and for the administration of potential future school sites.

Field Trip – Accounts for the operation of transportation services for student field trips and external organizations.

Entrepreneurial Activities – Provides supplemental funding for the instructional program through the sale of MCPS expertise, services and products.

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2014

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 873,905	\$ 65,712	\$ 791,097	\$ 1,730,714
Montgomery County			-	-
Accounts receivable	129,164	120,988	24,798	274,950
Due from other funds	26,458	26,656	146,028	199,142
Inventories			3,270	3,270
Total current assets	<u>1,029,527</u>	<u>213,356</u>	<u>965,193</u>	<u>2,208,076</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements	-			-
Machinery and equipment	-			-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,029,527</u>	<u>213,356</u>	<u>965,193</u>	<u>2,208,076</u>
Liabilities				
Current liabilities:				
Accounts payable	133,554		9,086	142,640
Due to other funds	-	-	35,297	35,297
Unearned revenue			408,788	408,788
Capital leases - current	3,142			3,142
Total current liabilities	<u>136,696</u>	<u>-</u>	<u>453,171</u>	<u>589,867</u>
Noncurrent liabilities:				
Capital lease payable			-	-
Capital leases payable	319,139			319,139
Compensated absences	63,471	91,355	128,720	283,546
Total noncurrent liabilities	<u>382,610</u>	<u>91,355</u>	<u>128,720</u>	<u>602,685</u>
Total liabilities	<u>519,306</u>	<u>91,355</u>	<u>581,891</u>	<u>1,192,552</u>
Net Position				
Net investment in capital assets	-		-	-
Unrestricted	510,221	122,001	383,302	1,015,524
Total net position	<u>\$ 510,221</u>	<u>\$ 122,001</u>	<u>\$ 383,302</u>	<u>\$ 1,015,524</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 2,744,862	\$ 1,786,478	\$ 1,974,638	\$ 6,505,978
Total operating revenues	<u>2,744,862</u>	<u>1,786,478</u>	<u>1,974,638</u>	<u>6,505,978</u>
Operating expenses:				
Salaries and wages	398,286	1,128,109	1,155,759	2,682,154
Contracted services	61,950	44,668	467,438	574,056
Supplies and materials	53,973	478,674	422,584	955,231
Other charges	2,330,620	152,493	310,401	2,793,514
Depreciation	742			742
Total operating expenses	<u>2,845,571</u>	<u>1,803,944</u>	<u>2,356,182</u>	<u>7,005,697</u>
Operating income (loss)	<u>(100,709)</u>	<u>(17,466)</u>	<u>(381,544)</u>	<u>(499,719)</u>
Change in net position	(100,709)	(17,466)	(381,544)	(499,719)
Total net position - beginning	610,930	139,467	764,846	1,515,243
Total net position - ending	<u>\$ 510,221</u>	<u>\$ 122,001</u>	<u>\$ 383,302</u>	<u>\$ 1,015,524</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,894,552	\$ 1,718,573	\$ 1,959,374	\$ 6,572,499
Payments to suppliers	(122,988)	(523,342)	(821,440)	(1,467,770)
Payments to employees	(425,679)	(1,207,112)	(1,238,947)	(2,871,738)
Payments for assessments made by other funds	(127,636)	(69,811)	(213,118)	(410,565)
Payments for other operating expenses	(2,171,315)	-	-	(2,171,315)
Net cash provided (used) by operating activities	46,934	(81,692)	(314,131)	(348,889)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	-	-	-	-
Purchases of capital assets	-	-	-	-
Principal paid on capital leases	(2,994)	-	-	(2,994)
Net cash provided (used) by capital and related financing activities	(2,994)	-	-	(2,994)
Increase (Decrease) in cash and cash equivalents	43,940	(81,692)	(314,131)	(351,882)
Cash and cash equivalents - beginning	829,965	147,404	1,105,228	2,082,597
Cash and cash equivalents - ending	<u>\$ 873,905</u>	<u>\$ 65,712</u>	<u>\$ 791,097</u>	<u>\$ 1,730,714</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (100,709)	\$ (17,466)	\$ (381,544)	\$ (499,719)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	742	-	-	742
Effects of changes in operating assets and liabilities:				
Receivables	149,690	(67,905)	(28,782)	53,003
Accounts payable	(7,065)	-	(3,714)	(10,779)
Due to other funds	-	0	35,297	35,297
Inventories	-	-	37,000	37,000
Unearned revenue	-	-	13,518	13,518
Compensated absences	4,276	3,679	14,094	22,049
Net cash provided (used) by operating activities	<u>\$ 46,934</u>	<u>\$ (81,692)</u>	<u>\$ (314,131)</u>	<u>\$ (348,889)</u>

FIDUCIARY FUNDS

June 30, 2014

Pension and Other Employee Benefits Trust Funds:

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

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 JUNE 30, 2014

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Global equities	\$ 696,536,522	\$ 41,478,512	\$ 738,015,034
Fixed income securities	322,795,215	9,764,048	332,559,263
Real estate	97,767,382		97,767,382
Alternative investments	208,848,111		208,848,111
Short-term investments	35,389,618	8	35,389,626
Total investments	<u>1,361,336,848</u>	<u>51,242,568</u>	<u>1,412,579,416</u>
Accounts receivable	-	543,139	543,139
Due from County Consolidated Retiree Health Benefits Trust		179,466,120	179,466,120
Due from Internal Service Fund		15,523,586	15,523,586
Due from General Fund		1,505,759	1,505,759
Total assets	<u>1,361,336,848</u>	<u>248,281,172</u>	<u>1,609,618,020</u>
LIABILITIES			
Accounts payable		20,187	20,187
Claims payable		6,599,723	6,599,723
Due to general fund	1,603,134	-	1,603,134
Total liabilities	<u>1,603,134</u>	<u>6,619,910</u>	<u>8,223,044</u>
NET POSITION			
Held in trust for pension/other postemployment benefits	<u>\$ 1,359,733,714</u>	<u>\$ 241,661,262</u>	<u>\$ 1,601,394,976</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 80,544,815	133,781,912	\$ 214,326,727
Members	21,578,300	30,468,189	52,046,489
Federal government - Medicare Part D		1,737,070	1,737,070
Total contributions	<u>102,123,115</u>	<u>165,987,171</u>	<u>268,110,286</u>
Investment earnings:			
Net increase in fair value of investments	175,712,330	7,174,802	182,887,132
Interest and dividends	6,631,562	16,821,362	23,452,924
Total investment income	<u>182,343,892</u>	<u>23,996,164</u>	<u>206,340,056</u>
Less investment expense:			
Investment fees and other	(2,968,661)		(2,968,661)
Total investment expense	<u>(2,968,661)</u>	<u>-</u>	<u>(2,968,661)</u>
Net investment earnings	<u>179,375,231</u>	<u>23,996,164</u>	<u>203,371,395</u>
Total additions	<u>281,498,346</u>	<u>189,983,335</u>	<u>471,481,681</u>
DEDUCTIONS			
Benefits paid to plan members	76,147,472	72,248,294	148,395,766
Premiums paid to insurance companies		14,299,492	14,299,492
Administrative expenses	2,163,665	291,846	2,455,511
Total deductions	<u>78,311,137</u>	<u>86,839,632</u>	<u>165,150,769</u>
Change in net assets	203,187,209	103,143,703	306,330,912
Net position - beginning	<u>1,156,546,505</u>	<u>138,517,559</u>	<u>1,295,064,064</u>
Net position - ending	<u>\$ 1,359,733,714</u>	<u>\$ 241,661,262</u>	<u>\$ 1,601,394,976</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and investments	\$ 16,274,201	\$ 34,044,185	\$ 34,279,852	\$ 16,038,534
Accounts receivable	1,761,350	1,904,693	1,761,350	1,904,693
Inventories	<u>168,563</u>	<u>166,498</u>	<u>168,563</u>	<u>166,498</u>
Total assets	\$ <u>18,204,114</u>	\$ <u>36,115,376</u>	\$ <u>36,209,765</u>	\$ <u>18,109,725</u>
Liabilities				
Accounts payable	\$ 1,442,510	\$ 1,572,689	\$ 1,442,510	\$ 1,572,689
Due to student groups	<u>16,761,604</u>	<u>34,542,687</u>	<u>34,767,255</u>	<u>16,537,036</u>
Total liabilities	\$ <u>18,204,114</u>	\$ <u>36,115,376</u>	\$ <u>36,209,765</u>	\$ <u>18,109,725</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	85-93
Revenue Capacity Since MCPS revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax.	94-100
Debt Capacity Since MCPS construction funding is primarily provided by Montgomery County, these schedules of the county's debt capacity assist the reader in assessing the affordability of Montgomery County's current levels of outstanding debt and Montgomery County's ability to issue additional debt in the future.	101-105
Demographic and Economic Information Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which MCPS' financial activities take place.	106-107
Operating Information These schedules contain select operating indicators to help the reader understand how the information in MCPS' financial report relates to the services MCPS provides and the activities it performs.	109-112

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,347,324,600	\$ 1,509,775,923	\$ 1,635,087,567	\$ 1,765,406,793	\$ 1,901,060,879
Unrestricted	(92,864,100)	(96,127,805)	(85,448,126)	(151,573,901)	(202,703,251)
Total governmental activities net position	<u>\$ 1,254,460,500</u>	<u>\$ 1,413,648,118</u>	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>	<u>\$ 1,698,357,628</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 5,182,162	\$ 5,052,458	\$ 5,215,924	\$ 5,019,355	\$ 4,231,936
Unrestricted	(2,755,479)	(3,354,942)	(3,628,772)	(5,207,535)	(6,415,787)
Total business-type activities net position	<u>\$ 2,426,683</u>	<u>\$ 1,697,516</u>	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>	<u>\$ (2,183,851)</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,352,506,762	\$ 1,514,828,381	\$ 1,640,303,491	\$ 1,770,426,148	\$ 1,905,292,815
Unrestricted	(95,619,579)	(99,482,747)	(89,076,898)	(156,781,436)	(209,119,038)
Total primary government net position	<u>\$ 1,256,887,183</u>	<u>\$ 1,415,345,634</u>	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</u>	<u>\$ 1,696,173,777</u>
<hr/>					
	2010	2011	2012	2013	2014
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,972,419,863	\$ 2,073,974,398	\$ 2,234,805,426	\$ 2,377,418,879	\$ 2,467,557,443
Unrestricted	(303,827,808)	(367,057,361)	(446,600,594)	(487,587,959)	(574,669,171)
Total governmental activities net position	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>	<u>\$ 1,788,204,832</u>	<u>\$ 1,889,830,920</u>	<u>\$ 1,892,888,272</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 3,951,552	\$ 3,759,753	\$ 3,570,524	\$ 3,105,386	\$ 4,936,206
Unrestricted	(7,848,406)	(7,483,923)	(6,792,149)	(7,068,728)	(7,848,538)
Total business-type activities net position	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>	<u>\$ (3,221,625)</u>	<u>\$ (3,963,342)</u>	<u>\$ (2,912,332)</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,976,371,415	\$ 2,077,734,151	\$ 2,238,375,950	\$ 2,380,524,265	\$ 2,472,493,649
Unrestricted	(311,676,214)	(374,541,284)	(453,392,743)	(494,656,687)	(582,517,709)
Total primary government net position	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>	<u>\$ 1,784,983,207</u>	<u>\$ 1,885,867,578</u>	<u>\$ 1,889,975,940</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,038,043,643	\$ 1,088,588,014	\$ 1,160,855,790	\$ 1,300,214,158
Special education	247,338,455	266,912,970	293,576,065	337,981,003
School administration	135,691,110	146,798,786	160,163,136	183,915,725
Student personnel services	12,226,245	13,416,179	13,944,662	15,923,429
Health services	39,433	42,357	53,540	39,372
Total instruction	<u>1,433,338,866</u>	<u>1,515,758,306</u>	<u>1,628,593,193</u>	<u>1,838,073,687</u>
Support services:				
Student transportation	91,056,536	96,768,183	100,930,995	117,962,721
Operation of plant	109,613,171	120,228,320	130,303,214	144,731,021
Maintenance of plant	47,584,397	48,872,594	55,832,785	56,469,713
Administration	39,156,106	54,688,573	63,053,976	59,171,446
Community services	1,625,698	2,110,374	2,176,910	2,470,942
Interest on capital leases		1,372,132	1,742,075	1,970,020
Total support services	<u>289,035,908</u>	<u>324,040,176</u>	<u>354,039,955</u>	<u>382,775,863</u>
Total governmental activities expenses	<u>1,722,374,794</u>	<u>1,839,798,482</u>	<u>1,982,633,148</u>	<u>2,220,849,550</u>
Business-type activities				
Food services	39,511,622	40,757,291	42,161,738	46,125,487
Adult education	1,893,599	1,516,881	(48,642)	-
Real estate management	1,537,420	2,102,497	2,926,351	2,290,554
Field trips	1,355,538	1,579,472	1,629,297	1,792,660
Entrepreneurial activities	1,316,459	1,266,811	1,376,930	1,619,087
Total business-type activities expenses	<u>45,614,638</u>	<u>47,222,952</u>	<u>48,045,674</u>	<u>51,827,788</u>
Total primary government expenses	<u>\$ 1,767,989,432</u>	<u>\$ 1,887,021,434</u>	<u>\$ 2,030,678,822</u>	<u>\$ 2,272,677,338</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 5,028,734	5,164,549	5,249,818	5,332,403
Operating grants and contributions	79,073,587	81,343,855	83,451,485	84,349,531
Capital grants and contributions	41,579,402	41,802,954	52,273,814	48,116,266
Total governmental activities program revenues	<u>125,681,723</u>	<u>128,311,358</u>	<u>140,975,117</u>	<u>137,798,200</u>
Business-type activities				
Charges for services:				
Food services	21,240,579	21,314,053	22,008,945	22,219,798
Adult education	2,047,577	1,614,777	-	-
Real estate management	2,019,558	2,212,736	2,625,031	2,765,022
Field trips	1,547,519	1,491,097	1,543,101	1,722,208
Entrepreneurial activities	1,023,446	1,461,574	1,436,778	1,866,786
Operating grants and contributions	16,892,422	17,268,485	18,798,444	19,955,950
Capital grants and contributions	938,776	415,248	655,145	927,082
Total business-type activities program revenues	<u>45,709,877</u>	<u>45,777,970</u>	<u>47,067,444</u>	<u>49,456,846</u>
Total primary government program revenues	<u>\$ 171,391,600</u>	<u>\$ 174,089,328</u>	<u>\$ 188,042,561</u>	<u>\$ 187,255,046</u>
Net (expense)/revenue				
Governmental activities	(1,596,693,071)	(1,711,487,124)	(1,841,658,031)	(2,083,051,350)
Business-type activities	95,239	(1,444,982)	(978,230)	(2,370,942)
	<u>(1,596,597,832)</u>	<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,314,971,597	1,457,150,730	1,507,402,033	\$ 1,631,686,296
State of Maryland	361,020,873	411,828,686	468,650,022	510,142,429
Federal government	88,274	1,027,578	539,841	4,015,914
Investment Earnings	155,210	632,532	929,696	1,378,734
Other revenue	70,671	-	-	-
Transfers	15,339	35,216	127,762	21,428
Total government activities	<u>1,676,321,964</u>	<u>1,870,674,742</u>	<u>1,977,649,354</u>	<u>2,147,244,801</u>
Business-type activities				
Investment Earnings	367,233	751,031	995,628	617,038
Transfers	(15,339)	(35,216)	(127,762)	(21,428)
Total business-type activities	<u>351,894</u>	<u>715,815</u>	<u>867,866</u>	<u>595,610</u>
Total primary government	<u>\$ 1,676,673,858</u>	<u>\$ 1,871,390,557</u>	<u>\$ 1,978,517,220</u>	<u>\$ 2,147,840,411</u>
Change in Net Position				
Governmental activities	79,628,893	159,187,618	135,991,323	64,193,451
Business-type activities	447,133	(729,167)	(110,364)	(1,775,332)
Total primary government	<u>\$ 80,076,026</u>	<u>\$ 158,458,451</u>	<u>\$ 135,880,959</u>	<u>\$ 62,418,119</u>

	2009	2010	2011	2012	2013	2014
\$	1,344,807,372	\$ 1,382,022,729	\$ 1,395,636,699	\$ 1,401,069,607	\$ 1,425,776,788	\$ 1,510,082,837
	357,740,728	382,151,880	381,185,135	392,862,396	398,480,390	436,204,642
	192,005,481	195,915,953	198,448,243	202,692,468	204,795,867	210,172,216
	16,709,007	16,590,455	15,726,065	16,251,838	15,992,374	16,496,795
	31,477	40,091	17,919	17,911	20,074	17,336
	<u>1,911,294,065</u>	<u>1,976,721,108</u>	<u>1,991,014,061</u>	<u>2,012,894,220</u>	<u>2,045,065,493</u>	<u>2,172,973,826</u>
	122,633,059	125,139,197	126,428,398	129,115,379	129,890,569	136,415,463
	145,189,882	153,349,143	149,740,270	147,289,980	150,099,667	158,947,644
	57,587,517	59,180,621	60,799,687	64,129,559	69,624,065	76,505,617
	63,094,864	60,891,077	58,701,766	57,291,531	58,481,042	59,544,537
	2,168,062	2,291,223	2,129,034	2,090,179	2,548,923	3,103,601
	2,040,350	1,750,321	1,197,169	897,345	801,273	745,756
	<u>392,713,734</u>	<u>402,601,582</u>	<u>398,996,324</u>	<u>400,813,973</u>	<u>411,445,539</u>	<u>435,262,618</u>
	<u>2,304,007,799</u>	<u>2,379,322,690</u>	<u>2,390,010,385</u>	<u>2,413,708,193</u>	<u>2,456,511,032</u>	<u>2,608,236,444</u>
	46,457,265	45,687,584	48,218,118	49,720,564	51,249,507	52,926,067
	-	-	-	-	-	-
	2,489,426	2,591,862	3,055,284	3,220,047	3,039,558	2,845,571
	1,772,511	1,697,423	1,751,109	1,770,547	1,664,949	1,803,944
	<u>1,444,433</u>	<u>2,001,442</u>	<u>2,031,272</u>	<u>1,983,788</u>	<u>2,604,177</u>	<u>2,356,182</u>
	<u>52,163,635</u>	<u>51,978,311</u>	<u>55,055,783</u>	<u>56,694,946</u>	<u>58,558,191</u>	<u>59,931,764</u>
\$	<u>2,356,171,434</u>	<u>2,431,301,001</u>	<u>2,445,066,168</u>	<u>2,470,403,139</u>	<u>2,515,069,223</u>	<u>2,668,168,208</u>
	5,033,518	4,616,997	4,111,198	3,820,871	3,871,684	3,848,232
	77,829,710	126,099,052	112,581,279	83,474,771	77,994,243	79,196,930
	<u>48,858,868</u>	<u>44,257,276</u>	<u>54,258,286</u>	<u>59,387,969</u>	<u>67,644,476</u>	<u>59,687,504</u>
	<u>131,722,096</u>	<u>174,973,325</u>	<u>170,950,763</u>	<u>146,683,611</u>	<u>149,510,403</u>	<u>142,732,666</u>
	22,191,730	18,621,337	18,577,749	19,252,693	17,907,925	16,631,652
	-	-	-	-	-	-
	2,397,720	2,667,604	2,812,240	2,892,122	3,026,997	2,744,862
	1,578,741	1,543,871	1,671,121	1,778,378	1,735,962	1,786,478
	1,872,573	1,849,158	3,633,389	2,186,618	2,235,250	1,974,638
	21,564,749	24,871,047	27,800,835	30,590,480	32,844,833	35,934,919
	405,452	641,790	696,950	464,308	30,898	1,877,408
	<u>50,010,965</u>	<u>50,194,807</u>	<u>55,192,284</u>	<u>57,164,599</u>	<u>57,781,865</u>	<u>60,949,957</u>
\$	<u>181,733,061</u>	<u>225,168,132</u>	<u>226,143,047</u>	<u>203,848,210</u>	<u>207,292,268</u>	<u>203,682,623</u>
	(2,172,285,703)	(2,204,349,365)	(2,219,059,622)	(2,267,024,582)	(2,307,000,629)	(2,465,503,778)
	<u>(2,152,670)</u>	<u>(1,783,504)</u>	<u>136,501</u>	<u>469,653</u>	<u>(776,326)</u>	<u>1,018,193</u>
	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>	<u>(2,218,923,121)</u>	<u>(2,266,554,929)</u>	<u>(2,307,776,955)</u>	<u>(2,464,485,585)</u>
\$	1,656,384,034	\$ 1,550,665,251	\$ 1,553,166,556	\$ 1,581,675,500	\$ 1,633,828,866	\$ 1,672,780,820
	597,009,068	616,478,426	668,581,752	761,695,928	771,174,249	792,450,552
	2,728,591	6,454,228	35,268,390	4,414,871	2,758,250	1,930,243
	684,245	985,888	367,906	526,078	865,352	1,399,515
	-	-	-	-	-	-
	4,501	-	-	-	-	-
	<u>2,256,810,439</u>	<u>2,174,583,793</u>	<u>2,257,384,604</u>	<u>2,348,312,377</u>	<u>2,408,626,717</u>	<u>2,468,561,130</u>
	161,500	70,501	36,183	32,892	34,609	32,817
	(4,501)	-	-	-	-	-
	<u>156,999</u>	<u>70,501</u>	<u>36,183</u>	<u>32,892</u>	<u>34,609</u>	<u>32,817</u>
\$	<u>2,256,967,438</u>	<u>2,174,654,294</u>	<u>2,257,420,787</u>	<u>2,348,345,269</u>	<u>2,408,661,326</u>	<u>2,468,593,947</u>
	84,524,736	(29,765,572)	38,324,982	81,287,795	101,626,088	3,057,352
	<u>(1,995,671)</u>	<u>(1,713,003)</u>	<u>172,684</u>	<u>502,545</u>	<u>(741,717)</u>	<u>1,051,010</u>
\$	<u>82,529,065</u>	<u>(31,478,575)</u>	<u>38,497,666</u>	<u>81,790,340</u>	<u>100,884,371</u>	<u>4,108,362</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund:					
Nonspendable	\$ 7,252,120	\$ 7,758,899	\$ 6,663,737	\$ 6,870,750	\$ 6,289,918
Assigned	5,945,116	14,230,646	10,577,103	5,701,090	6,183,758
Unassigned	3,263,757	(3,047,043)	4,879,365	16,389,504	44,346,530
Total general fund	<u>\$ 16,460,993</u>	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>	<u>\$ 28,961,344</u>	<u>\$ 56,820,206</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 92,086	\$ 94,711	\$ 888,399	\$ 136,374	\$ 245,077
Committed - Capital projects fund	(12,604,232)	(13,472,262)	(14,392,596)	(13,796,508)	(13,858,371)
Total all other governmental funds	<u>\$ (12,512,146)</u>	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>	<u>\$ (13,660,134)</u>	<u>\$ (13,613,294)</u>
	2010	2011	2012	2013	2014
General Fund:					
Nonspendable	\$ 7,221,461	\$ 6,567,714	\$ 7,310,053	\$ 7,745,654	\$ 7,952,232
Assigned	6,104,012	6,370,994	7,069,165	5,478,166	2,510,534
Unassigned	206,026	16,999,947	28,660,135	36,068,895	25,709,467
Total general fund	<u>\$ 13,531,499</u>	<u>\$ 29,938,655</u>	<u>\$ 43,039,353</u>	<u>\$ 49,292,715</u>	<u>\$ 36,172,233</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 265,873	\$ 279,707	\$ 287,268	\$ 365,128	\$ 304,595
Committed - Capital projects fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 265,873</u>	<u>\$ 279,707</u>	<u>\$ 287,268</u>	<u>\$ 365,128</u>	<u>\$ 304,595</u>

Information for fiscal years 2005 to 2010 have been restated to conform to the new fund balance classifications established by GASB Statement No. 54 *Fund Balance Reporting and Government type Definitions*.

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

	2005	2006	2007	2008
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,356,035,517	\$ 1,498,345,349	\$ 1,558,647,046	\$ 1,633,111,352
State of Maryland	366,552,766	417,013,817	474,951,016	561,788,026
Federal Government	70,605,126	74,573,378	75,177,789	81,098,923
Other	8,194,694	8,999,000	9,547,103	9,026,435
Total Revenue	<u>1,801,388,103</u>	<u>1,998,931,544</u>	<u>2,118,322,954</u>	<u>2,285,024,736</u>
Expenditures				
Current:				
Administration	28,439,926	36,625,851	43,163,115	40,223,462
Mid-level administration	101,729,773	109,442,018	118,650,653	128,825,484
Instructional salaries and wages	686,486,182	719,934,184	760,940,050	801,621,226
Instructional textbooks and supplies	28,751,450	33,245,147	36,680,260	30,676,046
Other instructional costs	22,110,271	16,855,159	18,687,106	17,748,901
Special education	193,353,038	207,149,010	227,023,151	245,993,338
Student personnel services	9,111,032	9,936,670	10,264,691	11,051,597
Health services	34,127	36,530	44,821	32,162
Student transportation	71,323,679	79,509,617	81,298,925	92,544,044
Operation of plant	85,739,412	92,411,740	102,598,137	112,699,200
Maintenance of plant	26,776,709	28,718,901	30,815,334	31,498,027
Fixed charges	388,327,283	419,075,926	463,825,658	531,185,474
Community services	1,326,568	1,731,259	1,750,520	1,902,912
Debt service:				
Capital lease principal	19,300,633	22,597,421	23,997,477	23,510,181
Capital lease interest	1,262,669	1,372,132	1,742,075	1,970,020
Capital outlay	159,336,986	244,402,835	218,839,987	234,409,417
Total expenditures	<u>1,823,409,738</u>	<u>2,023,044,400</u>	<u>2,140,321,960</u>	<u>2,305,891,491</u>
Excess (deficiency) of Revenues over expenditures	(22,021,635)	(24,112,856)	(21,999,006)	(20,866,755)
Other financing sources				
Capital lease financing	25,456,831	25,693,744	24,922,301	27,530,529
Technology loans from Montgomery County				
Transfers in	15,339	35,216	127,762	21,428
Transfers out				
Total other financing sources	<u>25,472,170</u>	<u>25,728,960</u>	<u>25,050,063</u>	<u>27,551,957</u>
Net change in fund balances	<u>\$ 3,450,535</u>	<u>\$ 1,616,104</u>	<u>\$ 3,051,057</u>	<u>\$ 6,685,202</u>
Debt service as a percentage of noncapital expenditures	1.3%	1.4%	1.4%	1.2%

	2009	2010	2011	2012	2013	2014
\$	1,704,483,481	\$ 1,593,469,961	\$ 1,598,298,058	\$ 1,634,325,263	\$ 1,697,311,813	\$ 1,722,421,710
	602,257,843	619,385,100	672,165,098	765,912,232	776,187,259	802,146,773
	73,709,427	127,230,073	146,479,166	88,309,979	77,668,057	79,111,667
	8,081,214	8,107,202	6,936,945	6,448,515	6,501,793	7,613,644
	<u>2,388,531,965</u>	<u>2,348,192,336</u>	<u>2,423,879,267</u>	<u>2,494,995,989</u>	<u>2,557,668,922</u>	<u>2,611,293,794</u>
	41,116,832	39,543,392	36,954,635	35,931,627	38,361,432	37,180,315
	133,558,653	133,865,561	135,139,216	132,955,672	135,537,267	136,161,260
	835,121,087	851,338,027	824,315,364	806,181,103	831,267,986	862,096,690
	27,836,308	26,674,306	21,939,573	24,407,914	24,850,483	23,239,502
	13,416,424	11,456,405	11,571,972	13,588,680	13,409,988	13,676,632
	259,846,857	273,368,914	271,395,047	270,775,788	275,623,730	291,929,538
	11,544,552	11,289,494	10,680,737	10,649,399	10,572,269	10,682,855
	31,125	38,695	16,267	16,908	18,994	16,388
	87,139,938	87,252,913	94,135,828	95,559,434	95,911,020	101,036,031
	113,847,318	115,639,206	113,952,839	111,067,453	112,560,889	118,604,859
	34,797,983	34,612,073	33,013,662	31,575,617	33,286,341	33,947,985
	557,052,644	596,364,990	636,600,510	666,817,831	705,727,831	758,138,841
	1,662,113	1,756,954	1,608,047	1,519,629	1,888,449	2,281,607
	24,465,455	20,178,442	19,024,733	18,844,888	19,394,211	21,691,477
	2,040,350	1,750,321	1,197,169	897,345	801,273	745,756
	239,036,321	178,597,204	213,558,453	286,212,343	280,935,624	237,654,916
	<u>2,382,513,960</u>	<u>2,383,726,897</u>	<u>2,425,104,052</u>	<u>2,507,001,631</u>	<u>2,580,147,787</u>	<u>2,649,084,652</u>
	6,018,005	(35,534,561)	(1,224,785)	(12,005,642)	(22,478,865)	(37,790,858)
	21,883,195	6,125,021	17,645,775	25,113,901	28,810,087	24,609,843
	4,501	-	-	-	-	-
	<u>21,887,696</u>	<u>6,125,021</u>	<u>17,645,775</u>	<u>25,113,901</u>	<u>28,810,087</u>	<u>24,609,843</u>
\$	<u>27,905,701</u>	<u>\$ (29,409,540)</u>	<u>\$ 16,420,990</u>	<u>\$ 13,108,259</u>	<u>\$ 6,331,222</u>	<u>\$ (13,181,015)</u>
	1.3%	1.0%	0.9%	0.9%	0.9%	0.9%

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2013 *

Operating revenues:	
Contributions by other agencies	\$ 40,426,390
Contributions by the Board of Education	<u>15,296,420</u>
Total operating revenues	<u>55,722,810</u>
Operating expenses:	
Self-insurance losses, net of recoveries	39,171,359
Other costs at risk	5,728,059
Commercial insurance	4,258,113
Other operating expenses	<u>3,868,431</u>
Total operating expenses	<u>53,025,962</u>
Operating (loss)	<u>2,696,848</u>
Nonoperating revenues :	
Interest on investments	16,399
Other revenue	<u>371,641</u>
Total nonoperating revenues	<u>388,040</u>
Change in net assets	3,084,888
Total net assets - beginning of year	<u>(19,505,953)</u>
Total net assets (deficit) - end of year	<u>\$ (16,421,065)</u>

* Date of the most current available information.

Source: Montgomery County FY 2013 CAFR

MONTGOMERY COUNTY PUBLIC SCHOOLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities Capital Leases	Business-Type Activities Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2005	41,379,011	610,298	41,989,309	0.08%	45
2006	44,475,334	608,910	45,084,244	0.07%	48
2007	45,400,158	483,803	45,883,961	0.07%	49
2008	49,420,506	339,046	49,759,552	0.08%	52
2009	46,838,246	151,621	46,989,867	0.07%	48
2010	32,784,825	287,343	33,072,168	0.05%	34
2011	31,405,867	504,223	31,910,090	0.05%	33
2012	37,674,880	596,314	38,271,194	0.05%	39
2013	47,090,756	713,086	47,803,842	0.07%	48
2014	50,009,122	792,703	50,801,825	0.06%	50

Notes:

Details regarding MCPS' outstanding debt can be found in notes 8 and 9 to the financial statements.

(1) Personal income and population used in calculations are found in the schedule of Demographic Statistics, page 102.

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

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	1,006,556,130	(672,256)	1,005,883,874	1,005,935,155	99.94	(2,893,982)	1,003,041,173	99.72
2006	1,032,231,333	(2,362,440)	1,029,868,893	1,031,967,800	99.97	(3,880,627)	1,028,087,173	99.83
2007	1,087,613,905	(1,840,424)	1,085,773,481	1,081,566,118	99.44	(887,797)	1,080,678,321	99.53
2008	1,137,590,824	(3,527,653)	1,134,063,171	1,132,548,519	99.56	(2,881,486)	1,129,667,033	99.61
2009	1,282,437,423	1,343,874	1,283,781,297	1,278,337,019	99.68	610,756	1,278,947,775	99.62
2010	1,344,626,102	(5,499,672)	1,339,126,430	1,343,140,289	99.89	(17,048,274)	1,326,092,015	99.03
2011	1,350,416,973	(2,500,709)	1,347,916,264	1,349,698,631	99.95	(3,375,200)	1,346,323,431	99.88
2012	1,365,605,932	1,085,528	1,366,691,460	1,363,217,734	99.83	2,561,878	1,365,779,612	99.93
2013	1,390,542,228	(2,304,460)	1,390,542,228	1,384,563,178	99.57	1,586,021	1,386,149,199	99.85
2014	1,437,898,506	-	1,437,898,506	1,434,787,650	99.78	-	1,434,787,650	99.78

NOTES:

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

(2) Amounts represent collections received, including overpayments, net of refunds. Penalties and interest are excluded.

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

Fiscal Year	Real Property						Total Direct Tax Rate (3)
	Residential (1)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952
2007	96,569,606,606	101,120,006,917	29,141,169,512	30,514,313,625	125,710,776,118	131,634,320,542	0.902
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	0.904
2012	129,513,818,139	139,412,075,499	32,683,331,619	35,181,196,575	162,197,149,758	174,593,272,075	0.947
2013	124,783,384,563	134,320,112,554	33,489,446,285	36,048,919,575	158,272,830,848	170,369,032,129	0.981
2014	125,035,897,087	136,502,071,055	34,855,968,247	38,052,367,082	159,891,865,334	174,554,438,137	1.008

Fiscal Year	Personal Property (2)					Real and Personal Property Total			Ratio of Total Assessed to Total Estimated Actual Value
	Business		Public Utility		Total	Total Direct Tax Rate (3)	Assessed Value	Estimated Actual Value	
	Individuals	Corporations	Operating Property	Domestic Shares					
2005	45,777,000	2,290,059,500	1,097,481,440	469,294,170	3,902,612,110	2.474	102,184,336,833	109,242,081,266	93.54
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2.367	114,360,878,346	122,425,244,161	93.41
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2.244	129,659,725,668	135,583,270,092	95.63
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,492	167,959,062,589	96.48
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2.247	171,646,984,481	193,664,780,786	88.63
2012	44,967,690	2,206,151,910	1,063,567,900	404,258,210	3,718,945,710	2.357	165,916,095,468	178,312,217,785	93.05
2013	46,638,380	2,092,070,220	1,081,466,940	384,303,210	3,604,478,750	2.441	161,877,309,598	173,973,510,879	93.05
2014	42,416,630	2,172,248,760	1,120,973,968	373,688,150	3,709,327,508	2.509	163,601,192,842	178,263,765,645	91.77

NOTES:

- * Exempt and nontaxable property are not included in this table.
- * The following classes of property are not taxed: 1) personal property not used in a trade, business, or profession, and 2) business inventories.
- * Intangible personal property is exempt from taxation except in two instances: shares of stock in certain domestic utilities and oil pipeline corporations (shown above) and intangible personal property of corporations under a contract with the State, granted charter exemptions from property taxation.
- * Property owned by the Federal government, the State, or a subdivision or agency of either, is exempt. Also exempt are real and personal property used for religious, educational, or charitable purposes. Specific exemptions involve historical property, societies and museums, conservation property, cemeteries, certain fraternal and service organizations, continuing care facilities for the aged, nonprofit housing property, and dwelling houses of disabled veterans and blind persons.

(1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.

(2) For personal property, the assessed value and estimated actual value are the same.

(3) See Page 89 for real and personal property direct tax rates.

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

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

	County-wide					Substantially County-wide (1)				Prorata Tax Rate	Total County Direct Rate (4)	
	County		M-NCPPC (2)			County		M-NCPPC (2)				
	County	District	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District			Metropolitan District
Real Property:												
2005	.734	.123	.044	.001	.902	.025	.003	.020	.059	.092	.994	
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952	
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902	
2008	.627	.126	.058	.001	.812	.024	.003	.019	.058	.090	.902	
2009	.661	.116	.040	.001	.818	.022	.003	.019	.053	.084	.902	
2010	.683	.105	.037	.001	.826	.019	.003	.018	.050	.078	.904	
2011	.699	.097	.037	.001	.834	.018	.003	.015	.045	.070	.904	
2012	.713	.121	.038	.001	.873	.018	.003	.017	.048	.074	.947	
2013	.724	.134	.048	.001	.907	.021	.003	.018	.054	.083	.990	
2014	.759	.125	.042	.001	.927	.020	.003	.018	.053	.081	1.008	
Personal Property:												
2005	1.835	.308	.110	.003	2.256	.063	.008	.050	.148	.218	2.474	
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367	
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244	
2008	1.567	.315	.145	.003	2.030	.060	.007	.047	.145	.211	2.241	
2009	1.652	.290	.100	.003	2.045	.055	.007	.047	.132	.196	2.241	
2010	1.707	.262	.092	.003	2.064	.047	.007	.045	.125	.183	2.247	
2011	1.747	.242	.092	.003	2.084	.045	.007	.038	.112	.163	2.247	
2012	1.783	.303	.095	.003	2.184	.045	.008	.043	.120	.173	2.357	
2013	1.810	.335	.120	.003	2.268	.053	.008	.045	.135	.195	2.463	
2014	1.898	.313	.105	.003	2.319	.050	.008	.045	.133	.190	2.509	

NOTES:

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

- (1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.
- (2) M-NCPPC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.
- (3) County direct rate includes: County tax rates that are levied County-wide, and County tax rates levied by M-NCPPC. For County special taxing district tax rates that are levied substantially County-wide, the direct rate includes a prorata portion of the tax rate that corresponds to the portion of the County's assessable base against which the rate is levied. Therefore, the total County direct rate presented above is not a mathematical sum of all the individual rates presented.

Source: Montgomery County FY 2014 CAFR

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

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts	Development Districts			
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
Real Property:												
2005	.280	.280	.240	.240	.030	.016	.020	.145	.175	.098	.192	.000
2006	.280	.280	.240	.240	.024	.016	.030	.145	.185	.089	.187	.000
2007	.280	.280	.240	.240	.024	.016	.030	.050	.001	.065	.161	.000
2008	.280	.280	.240	.240	.024	.016	.030	.080	.080	.071	.156	.000
2009	.280	.280	.240	.240	.024	.012	.030	.080	.080	.063	.144	.000
2010	.280	.180	.240	.240	.024	.012	.030	.080	.080	.086	.137	.000
2011	.317	.104	.240	.240	.024	.012	.030	.080	.080	.079	.163	.000
2012	.317	.104	.240	.240	.024	.012	.030	.077	.080	.099	.165	.107
2013	.317	.124	.240	.240	.024	.012	.030	.000	.010	.099	.173	.112
2014	.317	.124	.240	.240	.024	.012	.030	.000	.000	.105	.183	.113
Personal Property:												
2005	.700	.700	.600	.600	.075	.040	.050	.363	.438	.000	.000	.000
2006	.700	.700	.600	.600	.060	.040	.075	.363	.463	.000	.000	.000
2007	.700	.700	.600	.600	.060	.040	.075	.125	.125	.000	.000	.000
2008	.700	.700	.600	.600	.060	.040	.075	.200	.200	.000	.000	.000
2009	.700	.700	.600	.600	.060	.030	.075	.200	.200	.000	.000	.000
2010	.700	.450	.600	.600	.060	.030	.075	.200	.200	.000	.000	.000
2011	.792	.260	.600	.600	.060	.030	.075	.200	.200	.000	.000	.000
2012	.793	.260	.600	.600	.060	.030	.075	.193	.200	.000	.000	.000
2013	.793	.310	.600	.600	.060	.030	.075	.000	.025	.000	.000	.000
2014	.793	.310	.600	.600	.060	.030	.075	.000	.000	.000	.000	.000

NOTES:

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

- (1) Parking Lot Districts also carry a tax rate of one-half the amount shown which applies to property zoned commercial but not used as such.
(2) White Flint Special Taxing District was established in November 2010 and levy year 2011 was the first year that the property tax on commercial properties went into effect.

Source: Montgomery County FY 2014 CAFR

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

Fiscal Year	Cities			Towns				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
Real Property:								
2005	.2120	.3220	.6600	.0720	.2000	.0330	.2000	.1300
2006	.2120	.3220	.6300	.0650	.1500	.0290	.2000	.1200
2007	.2120	.3120	.6300	.0600	.1500	.0260	.1900	.1200
2008	.2120	.3020	.6100	.0540	.1500	.0230	.1900	.1200
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1400
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
Personal Property:								
2005	.5300	.8050	1.6500	.2000	.4500	.1000	.5000	.8000
2006	.5300	.8050	1.5750	.2000	.4500	.1000	1.0000	.8000
2007	.5300	.8050	1.5750	.2000	.4500	.1000	1.0000	.8000
2008	.5300	.8050	1.5250	.2000	.4500	.1000	1.0000	.8000
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
2005	.1700	.1600	.2300	.0500	.2170
2006	.1550	.1600	.2210	.0450	.2020
2007	.1470	.1400	.2000	.0400	.2020
2008	.1390	.1400	.1800	.0400	.2020
2009	.1300	.1200	.1600	.0400	.1810
2010	.1220	.1100	.1500	.0400	.1810
2011	.1360	.1000	.1594	.0800	.2210
2012	.1360	.1100	.1594	.0800	.2210
2013	.1360	.1100	.1590	.0800	.3170
2014	.1360	.1000	.1672	.0800	.3000
Personal Property:					
2005	.5000	.3500	.6000	.2200	.6000
2006	.5000	.3500	.6000	.2200	.6000
2007	.5000	.3500	.6000	.2200	.6000
2008	.5000	.3500	.6000	.2200	.6000
2009	.5000	.3300	.6000	1.0000	.6000
2010	.5000	.3100	.6000	1.0000	.6000
2011	.5500	.3000	.6000	1.0000	.6000
2012	.5500	.3000	.6000	1.0000	.6000
2013	.5500	.3000	.6000	1.0000	.6000
2014	.5700	.3000	.6000	1.0000	.7000

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

Source: Montgomery County FY2014 CAFR

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

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2005	.050	.020	.000	.025	.140	.048	.060	.008	.052	.060
2006	.050	.020	.000	.023	.130	.048	.050	.008	.052	.060
2007	.050	.020	.000	.023	.123	.048	.040	.008	.052	.060
2008	.050	.020	.000	.022	.111	.048	.040	.008	.052	.060
2009	.050	.020	.000	.022	.103	.048	.040	.008	.052	.040
2010	.050	.020	.000	.022	.096	.048	.040	.008	.052	.040
2011	.050	.020	.000	.022	.090	.048	.040	.040	.052	.040
2012	.050	.020	.000	.022	.101	.048	.040	.046	.052	.040
2013	.050	.020	.000	.022	.101	.048	.040	.047	.052	.040
2014	.050	.020	.000	.220	.100	.048	.040	.047	.052	.040
Personal Property:										
2005	.125	.050	.000	.000	.600	.120	.060	.008	.130	.000
2006	.125	.050	.000	.000	.600	.120	.050	.008	.130	.100
2007	.125	.050	.000	.000	.660	.120	.040	.008	.130	.100
2008	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100
2009	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100
2010	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100
2011	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100
2012	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100
2013	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100
2014	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100

NOTES:

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

Source: Montgomery County FY 2014 CAFR

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

For the Fiscal Year Ended June 30, 2014				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 793,656,503	\$ 34,531,133	\$ 759,125,370	0.49%
Verizon Maryland Inc	497,508,170	44,066,100	453,442,070	0.30%
Montgomery Mall LLC	281,850,410	280,115,000	1,735,410	0.17%
Washington Gas Light Co.	269,380,950	-	269,380,950	0.16%
Washington Metropolitan Area Transit Authority	260,060,067	260,060,067	-	0.16%
Federal Realty Investment Trust	254,587,797	252,901,867	1,685,930	0.16%
Street Retail Inc.	234,690,865	234,690,865	-	0.14%
Wheaton Plaza Reg Shopping Center	218,636,043	217,330,033	1,306,010	0.13%
Chevy Chase Land Co	207,660,900	207,660,900	-	0.13%
7501 Wisconsin Avenue LLC	200,181,660	200,000,000	181,660	0.12%
Total	\$ 3,218,213,365	\$ 1,731,355,965	\$ 1,486,857,400	1.97%
Total Assessable Base	<u>\$ 163,601,192,842</u>			<u>100.00%</u>

For the Fiscal Year Ended June 30, 2005				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 729,757,190	\$ 6,494,600	\$ 723,262,590	0.71%
Verizon/Bell Atlantic	624,939,880	27,035,000	597,904,880	0.61%
Montgomery Mall	227,088,280	226,747,100	341,180	0.22%
Mirant Mid-Atlantic LLC	222,288,330	69,374,800	152,913,530	0.22%
Washington Gas Light Co.	215,907,220	-	215,907,220	0.21%
Bryant F. Foulger, Trustee	161,269,999	161,269,999	-	0.16%
7501 Wisconsin Ave LLC	155,000,000	155,000,000	-	0.15%
Camalier, Anne D et al, Trustee	141,546,032	141,546,032	-	0.14%
Democracy Associates	137,200,000	137,200,000	-	0.13%
Bethesda ARC LLC	130,405,710	130,345,900	59,810	0.13%
Total	\$ 2,745,402,641	\$ 1,055,013,431	\$ 1,690,389,210	2.69%
Total Assessable Base	<u>\$ 102,184,336,833</u>			<u>100.00%</u>

Source: State of Maryland Department of Assessments and Taxation

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

Fiscal Year	General Bonded Debt Outstanding (1)			Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Taxable BABs General Obligations (2)			
2005	1,415,208,054	-	-	1,415,208,054	1.30	1,524
2006	1,393,888,054	100,000,000	-	1,493,888,054	1.22	1,597
2007	1,512,675,607	100,000,000	-	1,612,675,607	1.19	1,713
2008	1,366,758,054	100,000,000	-	1,466,758,054	0.98	1,538
2009	1,496,561,371	100,000,000	-	1,596,561,371	0.95	1,643
2010	1,437,839,285	100,000,000	232,000,000	1,769,839,285	0.99	1,821
2011	1,517,280,000	100,000,000	338,320,000	1,955,600,000	1.01	1,996
2012	1,658,970,000	100,000,000	338,320,000	2,097,290,000	1.18	2,119
2013	1,915,360,604	100,000,000	339,827,520	2,355,188,124	1.35	2,357
2014	2,085,028,317	100,000,000	339,671,879	2,524,700,196	1.42	2,479

NOTES:

- (1) General Bonded Debt includes all general obligation debt, variable rate demand obligation, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Governmental lease revenue bonds and business-type revenue bonds are excluded because they are repayable from specific resources other than general governmental resources. Other debt is excluded because it is not in the form of bonds.
- (2) General obligation bonds, variable rate demand obligations and build america bonds are comprised of both governmental and business-type activities from Table 17.
- (3) See Table 8 for estimated actual value of taxable property data.
- (4) See Table 23 for population data. However, when population data for prior years is revised, per capita amounts presented herein are reported as originally stated.

Source: Montgomery County FY2014 CAFR

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

	2005	2006	2007	2008
Assessed Value				
Real property (1)	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593
Personal property	3,902,612,110	3,831,629,230	3,948,949,550	3,970,547,370
Total Assessed Value	<u>\$ 102,184,336,833</u>	<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior)	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136
For personal property at 15%	<u>585,391,817</u>	<u>574,744,385</u>	<u>592,342,433</u>	<u>595,582,106</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>6,482,295,300</u>	<u>7,206,499,331</u>	<u>8,134,989,001</u>	<u>9,133,968,241</u>
Debt Applicable to Limit:				
General obligation bonds	1,415,208,054	1,393,888,054	1,512,675,607	1,366,758,054
Variable Rate Demand Obligation	-	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation	-	-	-	-
Bond anticipation notes	-	100,000,000	150,000,000	300,000,000
Long-term notes payable	<u>1,198,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Applicable to Limit	<u>1,416,406,439</u>	<u>1,593,888,054</u>	<u>1,762,675,607</u>	<u>1,766,758,054</u>
Legal Debt Margin	<u>\$ 5,065,888,861</u>	<u>\$ 5,612,611,277</u>	<u>\$ 6,372,313,394</u>	<u>\$ 7,367,210,187</u>
Legal Debt Margin as a Percentage of Debt Limit	78%	78%	78%	81%

NOTES:

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

Source: Montgomery County FY 2014 CAFR

	2009	2010	2011	2012	2013	2014
\$	158,133,491,472	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848	159,891,865,334
	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508
\$	162,053,662,492	171,220,840,149	171,646,984,481	165,916,095,468	161,877,309,598	\$ 163,601,192,842
\$	9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920
	588,025,653	618,599,492	578,428,793	557,841,857	540,671,813	556,399,126
	10,076,035,141	10,644,410,104	10,645,876,345	10,289,670,842	10,037,041,663	10,149,911,046
	1,496,561,371	1,437,839,285	1,517,280,000	1,658,970,000	1,930,155,391	2,085,028,317
	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
	-	232,000,000	338,320,000	338,320,000	339,827,520	339,671,879
	300,000,000	425,000,000	500,000,000	500,000,000	500,000,000	500,000,000
	-	-	-	-	-	-
	1,896,561,371	2,194,839,285	2,455,600,000	2,597,290,000	2,869,982,911	3,024,700,196
\$	8,179,473,770	\$ 8,449,570,819	8,190,276,345	7,692,380,842	7,167,058,752	\$ 7,125,210,850
	81%	79%	77%	75%	71%	70%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 497,839	100.00 %	\$ 497,839
Poolesville - bonds	2,482,180	100.00	2,482,180
Rockville - bonds	128,545,000	100.00	
Certificates or notes	6,755,462		
Somerset - bonds	1,610,000	100.00	1,610,000
Takoma Park:			
Bonds	2,616,500	100.00	2,616,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	50,009,122	100.00	50,009,122
MCC - capital leases	55,957,052	100.00	55,957,052
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	109,531,148	29.19	31,970,000
Advance land acquisition bonds	1,430,000	100.00	1,430,000
Development Districts (2):			
Kingsview Village Center - bonds	1,570,000	100.00	1,570,000
West Germantown - bonds	13,505,000	100.00	13,505,000
Total Overlapping Debt			308,553,155
Montgomery County direct debt			3,350,345,246
Total Direct and Overlapping Debt			<u>\$ 3,658,898,401</u>

NOTES:

- (1) Direct debt relating to the governmental activities of the County includes general obligation bonds, variable rate demand obligations, bond anticipation notes, notes payable, lease revenue bonds, and capital leases. Overlapping debt is the debt of other governmental entities in the County that is payable in whole or in part by taxpayers of the County. It includes general obligation bonds, revenue bonds, mortgages payable, notes payable, commercial paper, bond anticipation notes, certificates of participation, capital leases, and bank loans.
- (2) Entities are wholly within Montgomery County.
- (3) Unaudited information provided by entities.
- (4) Overlapping debt percentage is based on the debt relating to the County.
- (5) Source: total of governmental activities debt on Table 17.

Source: Montgomery County FY2014 CAFR

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2014*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2014
General bonded indebtedness:					
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	0
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	33,963,979
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	3,327,500
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	62,464,240	55,800,280
Consolidated Public Improvement	4.2 - 5.0	5/1/2006	2007-16	50,000,000	10,000,000
Consolidated Public Improvement	Variable	6/7/2006	2017-26	64,000,000	64,000,000
Consolidated Public Improvement	5.0	5/1/2007	2008-27	149,600,000	59,840,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	2,934,050
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	95,250,000
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	63,802,020
Consolidated Public Improvement Build America Bonds	3.75 - 5.5	11/3/2009	2015-29	130,000,000	130,000,000
Consolidated Public Improvement	2.00 - 5.0	11/17/2009	2010-14	29,000,000	5,800,000
Consolidated Public Improvement	2.00 - 5.0	7/26/2010	2011-22	80,500,000	60,375,001
Consolidated Public Improvement Build America Bonds	4.75 - 5.4	7/26/2010	2023-30	18,600,000	18,600,000
Consolidated Public Improvement	2.00 - 5.0	8/11/2011	2012-31	118,500,000	106,650,000
Consolidated Public Improvement Refunding	2.00 - 5.0	8/11/2011	2012-22	106,469,440	97,628,160
Consolidated Public Improvement	2.00 - 5.3	10/24/2012	2013-32	150,000,000	142,500,000
Consolidated Public Improvement Refunding	2.50 - 5.0	10/24/2012	2013-16	2,896,640	1,930,680
Consolidated Public Improvement	3.00 - 5.0	11/26/2013	2014-34	83,300,000	83,300,000
Consolidated Public Improvement Refunding	5.0	11/26/2013	2023-24	8,794,995	8,794,995
Total				\$ <u>1,482,262,306</u>	\$ <u>1,044,496,665</u>

Note:

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

Source: Montgomery County, Maryland Debt Service Program, Direct Debt, Issues Through June 30, 2014

MONTGOMERY COUNTY, MARYLAND
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2005	921,531	57,950,289	62,885	508,251	492,431	3.1	139,337
2006	926,492	62,251,585	67,191	518,142	503,476	2.8	139,387
2007	931,694	64,472,203	69,199	512,934	499,536	2.6	137,798
2008	942,748	67,379,333	71,471	519,330	502,802	3.2	137,745
2009	959,013	65,965,060	68,784	522,704	493,400	5.6	137,763
2010	976,006	67,991,412	69,663	525,908	495,187	5.8	140,500
2011	991,645	71,716,065	72,320	530,699	502,229	5.4	143,309
2012	1,004,709	73,551,167	73,206	535,371	507,381	5.2	146,497
2013	1,016,677	74,840,000	73,612	535,271	508,190	5.1	149,018
2014	1,018,355	78,420,000	77,007	529,482	506,937	4.3	151,289

NOTES:

- (1) Sources: Data for 2005-2012 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2010 from Montgomery Planning Department (MNCPPC) and for 2013 and 2014 are estimated by the Montgomery County Department of Finance from Round 8.2 Cooperative Estimates and pertain to population in households. Estimates for 2005-2012 published by BEA in November 2013 and reflect the County's population estimates available as of 2012, population estimate for 2013 from the American Community Survey, U.S. Census, and average annual growth rate of 0.2 percent from 2013 to 2015 from Round 8.2.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2009-2012 were revised by BEA and data for 2012 are a preliminary estimate from BEA. Data for 2013 through 2014 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2009 - 2013. Data for 2014 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2013 to the first half of CY2014.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2008-2013 revised by BLS. Data for 2014 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2013 to the first half of CY2014.
- (6) The unemployment rates for 2008 through 2013 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2014 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2014.
- (7) Source: County Executive's Recommended FY15 Operating Budget, Office of Management and Budget, Montgomery County, page 10-5.

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

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Employees(1)	Rank	Percentage of Total County Employment(2)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	28,500	1	6.31 %	38,800	1	8.58 %
Montgomery County Public Schools	25,429	2	5.63	20,987	2	4.64
U.S. Department of Defense	12,000	3	2.66	13,800	3	3.05
Montgomery County Government	10,815	4	2.39	8,272	4	1.83
U.S. Department of Commerce	5,500	5	1.22	6,200	5	1.37
Adventist Healthcare	4,900	6	1.08	6,000	6	1.33
Marriott International, Inc. (Headquarters)	4,700	7	1.04	*		-
Lockheed Martin	4,000	8	0.89	3,900	10	0.86
Montgomery College	3,632	9	0.80	*	8	-
Holy Cross Hospital of Silver Spring	3,400	10	0.75	*	7	-
Giant Food Corporation	*		-	4,900	7	1.08
Verizon	*		-	4,700	8	1.04
Chevy Chase Bank	*		-	4,700	8	1.04
Total	102,876		22.77 %	112,259		24.82 %

NOTES:

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

Note: Excludes post offices, state and local governments.

(1) The employee numbers listed were prepared jointly by Montgomery County's Department of Economic Development (DED) and the Maryland Department of Business & Economic Development. The figures are based on DED's analysis of the MD Department of Labor, Licensing & Regulation's Quarterly Census of Employment & Wages, 4th quarter 2013 data of public and private employers in Montgomery County.

(2) Employee counts for Federal & Military facilities exclude contractors to the extent possible; embedded contractors maybe included.

(3) Total payroll employment in FY14 was 451,809, and FY05, 458,668.

Source: Montgomery County Department of Economic Development

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Instruction:										
Total enrollment ⁽¹⁾	139,337	139,387	137,798	137,745	139,276	141,777	144,064	146,497	148,779	151,289
Regular students ⁽¹⁾	130,601	130,444	128,511	128,478	130,371	140,065	142,342	144,571	146,930	149,390
ESOL students ⁽²⁾	12,905	13,200	14,718	15,961	16,685	17,664	17,900	18,650	19,200	22,088
Special education classroom students ⁽²⁾	8,520	8,645	8,888	8,853	8,534	9,107	9,067	9,533	11,614	16,339
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 12,361	\$ 13,199	\$ 14,388	\$ 16,081	\$ 16,543	\$ 16,782	\$ 16,590	\$ 16,476	\$ 16,486	\$ 17,240
Number of teaching stations ⁽³⁾	6,598	6,817	7,098	7,379	7,660	7,085	7,101	7,492	7,313	7,584
Average teacher salary ⁽⁶⁾	\$ 62,608	\$ 65,173	\$ 67,439	\$ 71,039	\$ 75,517	\$ 76,499	\$ 73,638	\$ 72,356	\$ 75,463	\$ 75,452
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	14:1	13:1	13:1	14:1	13.5:1	14:1	14:1	11:4	14:1
Average SAT score ⁽¹⁾	1,102	1,101	1,634	1,624	1,616	1,615	1,653	1,637	1,651	1,650
Seniors taking SAT ⁽¹⁾	80 %	77 %	76 %	79 %	74 %	81 %	73 %	77 %	78.2 %	77 %
Building capacity used ⁽³⁾ #	107 %	104 %	100 %	100 %	100 %	98.3 %	100 %	100 %	102 %	99 %
Support services:										
Student transportation:										
Number of buses ⁽¹⁾	1,230	1,252	1,264	1,272	1,271	1,270	1,268	1,264	1,264	1,270
Students transported ⁽¹⁾	93,845	95,962	95,711	96,000	96,700	97,100	98,535	100,158	99,300	101,949
Operation of plant:										
School buildings ⁽¹⁾	192	194	199	200	199	200	200	200	202	202
Square footage ⁽³⁾	19.6 million	20.0 million	20.9 million	21.1 million	21.1 million	21.4 million	23.5 million	24.2 million	24.6 million	24.9 million
Number of rooms ⁽³⁾	7,140	7,357	7,377	7,385	7,458	7,652	7,737	7,898	7,950	8,157
Maintenance of plant:										
Work orders completed	58,885	64,550	63,380	60,156	59,393	60,322	64,754	61,529	60,305	59,862
Average building age (years) ⁽³⁾ +	21	21	22	22	22	23	23	22	22	23
Administration:										
Payments issued	62,909	67,125	69,653	70,328	65,060	66,412	64,504	65,035	64,880	64,506
Purchased orders issued	46,843	48,343	49,609	43,233	58,858	49,870	59,866	33,436	33,663	48,375
Business-Type Activities:										
Food Service:										
Meals served	11.4 million	12.1 million	12.5 million	12.8 million	13.1 million	12.9 million	13.7 million	14.6 million	14.6 million	15.1 million
Free & Reduced meals	5.7 million	5.6 million	6.4 million	7.0 million	7.5 million	8.1 million	8.9 million	9.6 million	9.9 million	10.3 million
Real Estate Management:										
Square footage under lease	84,618	104,426	103,567	188,248	168,949	162,389	167,416	169,432	169,768	185,375
Average annual rental months	10	11	11	11	11	11.1	11.42	11.31	11.28	11.06
Field Trip:										
Number of trips run	NA	7,224	7,392	8,004	9,277	9,800	10,913	11,632	11,490	11,509
Trip miles	NA	259,977	270,741	298,324	366,796	385,878	427,679	440,462	433,456	421,296
Entrepreneurial activities:										
Science kits sold	3,922	4,356	12,621	5,871	7,975	4,806	5,676	4,748	3,546	1,854

Notes:

NA - Data not readily available.

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

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

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

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

Sources for 2014:

- (1) The Superintendent's FY2015 Operating Budget Summary and Personnel Complement
- (2) 2013-2014 Schools at a Glance
- (3) FY2015 Educational Facilities Master Plan and the Amended FY2015-2020 Capital Improvements Program
- (4) Various MCPS departments where not otherwise noted
- (5) Total governmental-activities expense from the Statement of Activities divided by total enrollment
- (6) FY2014 Fact Sheet Prepared by Employee and Retiree Service Center

MONTGOMERY COUNTY PUBLIC SCHOOLS
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year				
	2005	2006	2007	2008
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,302	9,546	9,679	9,666
Other staff	1,354	1,354	1,392	1,429
Total Regular instruction	<u>10,656</u>	<u>10,900</u>	<u>11,071</u>	<u>11,095</u>
Special education:				
Teachers	1,775	1,867	1,985	2,024
Other staff	1,206	1,269	1,377	1,412
Total Special education	<u>2,981</u>	<u>3,136</u>	<u>3,362</u>	<u>3,436</u>
School administration	1,543	1,610	1,675	1,691
Student personnel services	121	122	120	122
Total Instruction	<u>15,301</u>	<u>15,768</u>	<u>16,228</u>	<u>16,344</u>
Support services:				
Student transportation	1,688	1,728	1,750	1,751
Operation of plant	1,285	1,322	1,390	1,405
Maintenance of plant	380	389	377	380
Administration	334	345	363	377
Total Support services	<u>3,687</u>	<u>3,784</u>	<u>3,880</u>	<u>3,913</u>
Special Revenue:				
Instructional TV	14	14	14	14
Business-Type Activities:				
Food Service	577	590	601	602
Adult Education	6	5	-	-
Real Estate Management	4	5	4	4
Field Trips	3	3	3	3
Entrepreneurial activities	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>
Position Grand total	<u>19,601</u>	<u>20,178</u>	<u>20,740</u>	<u>20,890</u>

Source:

The Superintendent's FY 2015 Operating Budget Summary and Personnel Complement

2009	2010	2011	2012	2013	2014
9,589	9,690	9,453	9,467	9,617	9,887
1,371	1,374	1,351	1,208	1,211	1,205
<u>10,960</u>	<u>11,064</u>	<u>10,804</u>	<u>10,675</u>	<u>10,828</u>	<u>11,092</u>
2,047	2,094	2,117	2,114	2,141	2,201
1,424	1,514	1,545	1,547	1,556	1,591
<u>3,471</u>	<u>3,608</u>	<u>3,662</u>	<u>3,661</u>	<u>3,697</u>	<u>3,792</u>
1,677	1,662	1,683	1,669	1,673	1,675
118	111	110	109	107	108
<u>16,226</u>	<u>16,445</u>	<u>16,259</u>	<u>16,114</u>	<u>16,304</u>	<u>16,667</u>
1,745	1,742	1,742	1,733	1,733	1,733
1,403	1,398	1,407	1,430	1,431	1,442
396	389	380	380	380	375
369	358	339	327	328	333
<u>3,913</u>	<u>3,887</u>	<u>3,868</u>	<u>3,870</u>	<u>3,872</u>	<u>3,883</u>
14	14	14	13	13	13
605	584	584	584	583	583
-	-	-	-	-	-
7	7	7	7	7	7
4	5	5	5	5	5
8	10	9	9	13	13
<u>20,777</u>	<u>20,952</u>	<u>20,746</u>	<u>20,602</u>	<u>20,796</u>	<u>21,171</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE
as of June 30, 2014

Type of Coverage	Name of Company	Policy Number	Policy period		Coverage
			From	To	
Comprehensive General Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/14-07/01/15		\$100,000
Workers' Compensation	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/14-07/01/15		As required by Maryland Statutes Plus \$100,000 Insurance Fund
Excess Liability Auto & General Liability	Britt Global Specialty, USA	PK1019513	07/01/14-06/30/15		\$10,000,000 \$3,000,000 Self-Insurance Fund Pays 1st \$3 Million
Property All Risk Coverage	FM Global	LP893	07/01/14-06/30/15		Replacement cost less \$250,000 Deductible per Occurrence including Flood and Earthquake \$500,000 per occurrence
Bus, Truck, and Auto Fleet Fire, Theft and Comprehensive	FM Global	LP550	07/01/14-07/01/15		Same as Above
Commercial Crime Policy Bond Coverage - all Employees	Zurich Insurance	CCP006103407	07/01/14-06/30/15		\$1,000,000 per loss \$500,000 forgery alteration \$5,000 deductible
Public Official Bond	Travelers	105635454	07/01/11-07/01/15		\$10,000
Tackle Football for Students	Nationwide Life Insurance Co.	N/A	08/15/14-08/15/15		\$25,000 Per injury.
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/14-08/01/15		\$5,000,000 Medical Expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/14-06/30/15		No limits
Fiduciary Liability	Hudson Ins. Co.	SFD 31210245	07/01/14-06/30/15		\$5,000,000

N/A-Not Applicable

Source: Department of Financial Services



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