

for the Fiscal Year Ended **JUNE 30, 2015**

# Comprehensive Annual FINANCIAL REPORT

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



Mr. Larry A. Bowers  
Interim Superintendent of Schools

Dr. Andrew M. Zuckerman  
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.

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Montgomery County Public Schools  
A Component Unit of Montgomery County Maryland  
Comprehensive Annual Financial Report  
for the Fiscal Year Ended  
June 30, 2015

Prepared by:

Office of the Chief Operating Officer

Dr. Andrew M. Zuckerman, *Chief Operating Officer*  
Susanne G. DeGraba, *Chief Financial Officer*  
Bei (Susan) Chen, *Controller*

*Cover Photograph:*  
*Candlewood 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, 2015



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, 2015.

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 Montgomery County Board of Education is the elected body, corporate and politic, established under Maryland state law to provide public education in kindergarten through 12<sup>th</sup> 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**—According to the Bureau of Labor Statistics, U.S. Department of Labor, as reported by the county's Office of Finance in July 2015, average monthly payroll employment (labor force series and not seasonally adjusted) in Montgomery County increased by 1.7 percent in the second quarter of Calendar Year (CY) 2015 compared to the second quarter of CY 2014.

Furthermore, the county reports that on a fiscal year basis, payroll employment was 479,516, an increase of 1.1 percent in Fiscal Year (FY) 2015. The county's resident employment for the second quarter of CY 2015 increased by slightly over 7,000 from the second quarter of CY 2014, an increase of 1.4 percent. On a fiscal year basis, resident employment stood at 519,416 in FY 2015 compared to 516,083 during the previous fiscal year, an increase of 0.7 percent.

In addition, the county's average monthly unemployment rate during the second quarter of CY 2015 declined to 4.1 percent compared to 4.4 percent in the second quarter of CY 2014. The average monthly unemployment rate also declined from 4.6 percent in FY 2014 to 4.2 percent in FY 2015. Throughout the entire FY 2015, the county's unemployment rate remained one of the lowest in the state of Maryland.

Residential construction continued to show a decline during the second quarter of CY 2015 compared to the second quarter of CY 2014, a decrease of 11.0 percent. The decrease was attributed by the county to a decline in multifamily units, a decrease of 20.1 percent. However, construction of single-family homes increased by 4.5 percent in the second quarter of CY 2015 compared to the second quarter of CY 2014. Residential construction starts in the county added a total value of \$233.8 million during the second quarter of CY 2015, but was a decrease of \$46 million, 16.5 percent, compared to the second quarter of the last calendar year. However, on a fiscal year basis, the number of new residential construction starts increased by 5.7 percent in FY 2015 and added \$930.0 million, which was the highest amount in the last ten years. In FY 2015, the number of nonresidential projects increased by 18.7 percent but the total value added declined from \$619.1 million to \$566.2 million, a \$52.9 million decrease, from FY 2014 to FY 2015. This was an 8.5 percent decrease compared to the previous fiscal year.

Existing home sales increased by 12.1 percent in the second quarter of CY 2015 compared to the same period in CY 2014. In fact, consecutive increases during the past three quarters suggest a rebound in the county's real estate market and are attributed to low mortgage rates and a positive outlook in employment. Median sale prices for existing homes decreased 0.5 percent during the second quarter of CY 2015 compared to the same time period in CY 2014. Home sales on a fiscal year basis increased by 3.1 percent in FY 2015.

Retail sales in Montgomery County increased by 4.8 percent during FY 2015. Purchases of nondurable goods increased by 4.5 percent during this period while durable good sales increased 5.4 percent.

Overall, the major economic indicators for Montgomery County confirm that the economy experienced mixed economic performance in the second quarter of CY 2015 compared to the same period in CY 2014. However, on a fiscal year basis, the economy experienced growth from July 2014 to June 2015 particularly in employment and the real estate market.

**Long-term financial planning**—Montgomery County’s Department of Finance expects the county to experience modest growth during the next six years. The department estimates that payroll employment will continue to increase from CY 2014 to CY 2021 and grow at an average annual rate of 1.0 percent over that period. Also, the department estimates that resident employment will recover from the decrease in CY 2014 and increase at an average annual rate of 1.1 percent from CY 2014 to CY 2021.

Personal income in Montgomery County is estimated to grow at an average annual rate of 3.8 percent from CY 2013 (the latest date for which data are available) to CY 2021. By CY 2021, total personal income will reach \$99.9 billion, and wage and salary income will grow at an average annual rate of 3.9 percent from CY 2013 to CY 2021. The department estimates that the overall regional inflation index will steadily increase from an estimated 1.64 percent in CY 2014 to 3.3 percent by CY 2021.

**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 2016 Operating Budget includes funds for all increases that take effect on October 17, 2015. The agreements provided a general wage adjustment of 1.5 percent on November 29, 2014. In addition, agreement was reached to provide a 2 percent general wage adjustment on October 17, 2015, instead of October 3, 2015, as originally negotiated due to budgetary constraints. Finally, a 2 percent general wage adjustment will be provided 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 on March 4, 2017, for eligible employees 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 call for employees to pay a greater share of their health insurance premiums. Over the next two years, the amount each employee pays will increase by 7 percent. Beginning on January 1, 2016, employees will be able to lower their benefit costs if they participate in a voluntary health risk assessment and/or submit the results of a routine blood test. The contract calls for employees who smoke to pay 3 percent more for their health benefits beginning in CY 2016.

**Enrollment**—MCPS enrollment has increased by 36,401 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 over a 1,800 annual increase in enrollment since 1995. 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 2015, MCPS enrollment increased by 18,947 students in an eight year period. Enrollment on September 30, 2015, is projected to be 156,692, an increase of 2,840 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 378 relocatable classrooms, 330 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, ten 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 301 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 African-American males among the nation’s largest districts.

**Top high schools**—Six MCPS high schools rank in the top 200 of *The Washington Post 2015 High School Challenge* and all 25 MCPS high schools appear on this list, which only includes the top 11 percent of high schools in the country.

**Academic progress**—Students at all levels are demonstrating improved academic achievement. A historic high of 33,662 Advanced Placement (AP) exams were taken by MCPS students in 2014. Students earned a college-ready score (3 or higher) on 73.9 percent of those exams. In 2014, the percentage of AP exams taken by MCPS’ African-American students (49.8 percent) that earned college-ready scores of 3 or higher is significantly higher than the percentages of 32.9 percent in Maryland and 28.9 percent in the nation. In 2014, the percentage of AP exams taken by Hispanic students that earned college-ready scores of 3 or higher (57.7 percent) was greater than the percentage of exams for Hispanic students in Maryland (52.9 percent) and the nation (41.8 percent).

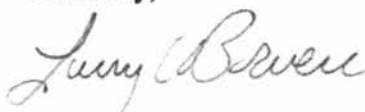
**Return on Investment**—More than \$335 million in scholarships were awarded to students in the Class of 2015.

**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, 2014, for the 11<sup>th</sup> consecutive year. 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 34 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 2015 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,



Larry A. Bowers  
Interim Superintendent of Schools



Andrew M. Zuckerman  
Chief Operating Officer



Susanne G. DeGraba  
Chief Financial Officer

LAB:AMZ:SGD:sbc



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, 2014**

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, 2014*

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



A handwritten signature in blue ink, appearing to read 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in blue ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director



**MONTGOMERY COUNTY PUBLIC SCHOOLS  
LISTING OF OFFICIALS**

**MEMBERS OF THE BOARD OF EDUCATION**

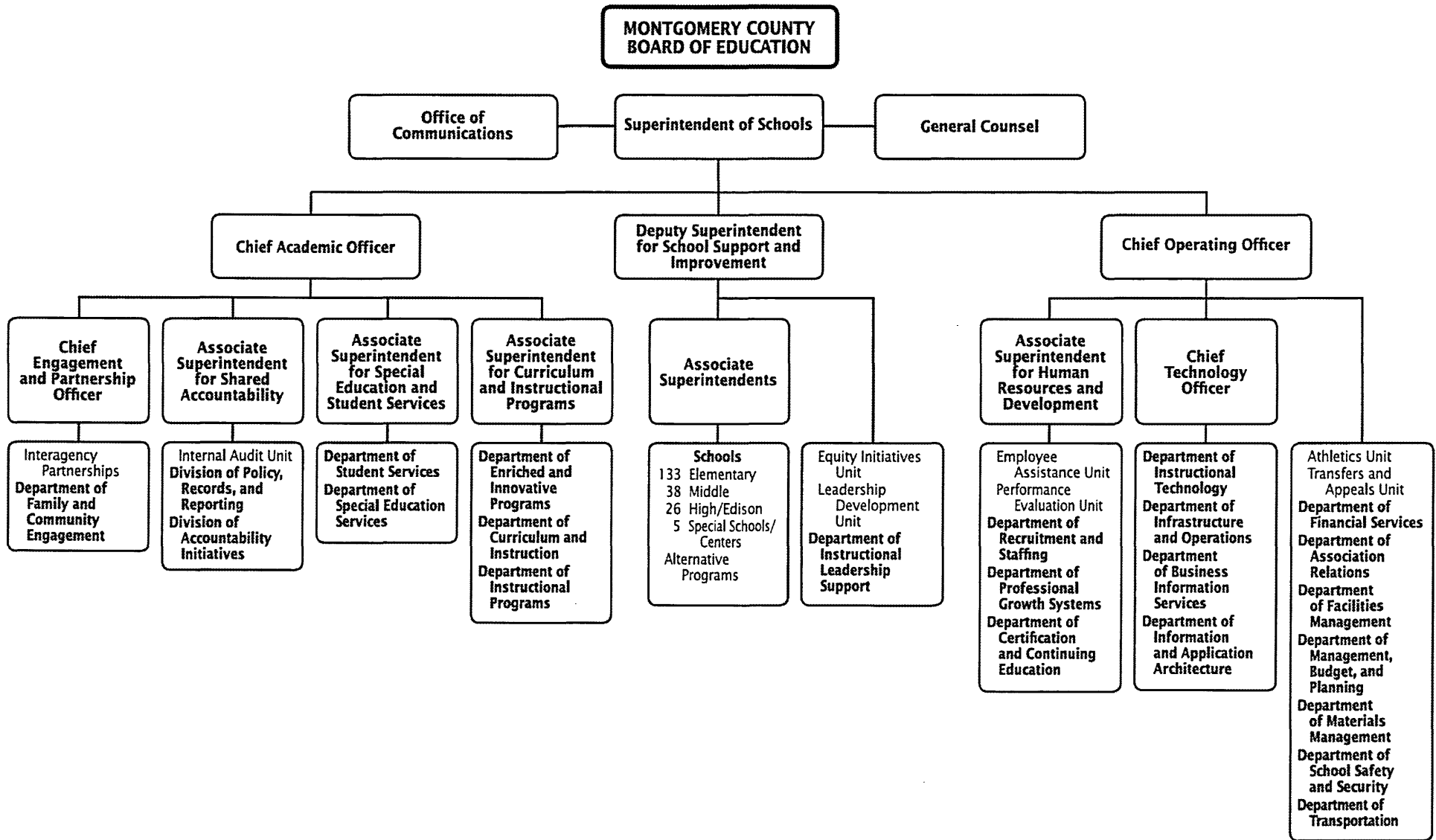
Patricia B. O'Neill, President  
Michael A. Durso, Vice President  
Philip Kauffman  
Jill Ortman-Fouse  
Judith R. Docca (Dr.)  
Rebecca Smondrowski  
Christopher S. Barclay

Eric Guerci, Student Board Member

**EXECUTIVE STAFF**

Larry A. Bowers ..... Interim Superintendent of Schools  
Andrew M. Zuckerman (Dr.) ..... Chief Operating Officer  
Kimberly A Statham (Dr.) ..... Deputy Superintendent, Office of School Support and Improvement  
Maria V. Navarro (Dr.) ..... Chief Academic Officer  
Joshua I. Civin ..... General Counsel  
Sherwin Collette ..... Chief Technology Officer  
Brian K. Edwards..... Chief Communication Officer  
Donna S. Hollingshead (Dr.)..... Associate Superintendent of School Administration  
LaVerne G. Kimball (Dr.) ..... Associate Superintendent of Elementary Schools, Office of School  
Support and Improvement  
Carol A. Kindt (Dr.)..... Associate Superintendent, Office of Human Resources and  
Development  
Erick J. Lang (Dr.)..... Associate Superintendent, Office of Curriculum and Instructional  
Programs  
Chrisandra A. Richardson..... Associate Superintendent, Office of Special Education and Student  
Services  
Timothy B. Warner (Dr.) ..... Chief Engagement and Partnership Officer  
Darryl L. Williams (Dr.)..... Associate Superintendent of Secondary Schools, Office of  
School Support and Improvement

# MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



## **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, 2015, 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, 2015, 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.

### **Emphasis of Matter**

#### ***Change in Accounting Principle***

During the fiscal year ended June 30, 2015, MCPS adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the*

*Measurement Date – an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, MCPS reported a restatement for change in accounting principle (See Note 15). Our auditor's opinion was not modified with respect to the restatement.

**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 27 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, the schedule of MCPS's proportionate share of the net pension liability, and the schedules of funding progress and employer and other contributing entities contributions for the OPEB Plan Trust on pages 73-79 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 29, 2015, 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 29, 2015

## 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, 2015. 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, 2015, by \$1,581.4 million, which represents its net position.
- MCPS' net position increased during the year by \$50.7 million.
- 76 percent of capital asset additions were directed toward instructional facilities.
- MCPS successfully generated \$35.9 million in FY 2015 budgetary 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 29–31 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 32–36 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 37–39 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 40–41 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 43–70 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 84–94 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 159.9	\$ 195.8	\$ 7.3	\$ 5.9	\$ 167.2	\$ 201.7
Capital assets	2,577.9	2,497.0	5.2	5.0	2,583.1	2,502.0
Deferred outflows of resources	84.2	81.1			84.2	81.1
Total assets and deferred outflows resources	2,822.0	2,773.9	12.5	10.9	2,834.5	2,784.8
Long-term liabilities outstanding	963.8	1,074.9	10.4	10.0	974.2	1,084.9
Other liabilities	157.2	165.4	4.2	3.8	161.4	169.2
Deferred inflows of resources	117.5				117.5	
Total liabilities and deferred inflows resources	1,238.5	1,240.3	14.6	13.8	1,253.1	1,254.1
Net Position:						
Net investment in capital assets	2,545.4	2,467.6	5.2	4.9	2,550.6	2,472.5
Unrestricted	(961.9)	(934.0)	(7.3)	(7.8)	(969.2)	(941.8)
Total net position	\$ 1,583.5	\$ 1,533.6	\$ (2.1)	\$ (2.9)	\$ 1,581.4	\$ 1,530.7



## **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 \$50.7 million to \$1,581.4 million. The increase came from governmental activities, which increased by \$49.9 million to \$1,583.5 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 \$77.8 million to \$2,545.4 million. These assets are used by MCPS in its instructional programs; consequently, these assets are not available for future spending.

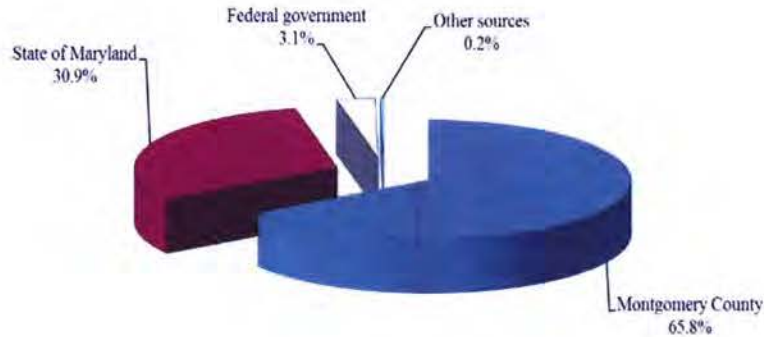
Montgomery County and the State of Maryland fund MCPS school construction projects through the issuance of general obligation bonds. These bonds are not reflected in MCPS' investment in capital assets, as the resources needed to repay these bonds must be provided by Montgomery County and the State of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

The unrestricted net deficit increased \$27.4 million to a \$969.2 million deficit at June 30, 2015. The increase in unrestricted net deficit is primarily attributed to the increase in the net OPEB obligation of \$21 million. The net OPEB obligation increased from \$499.8 million to \$520.8 million as a result of MCPS transitioning to full funding of the annual required contribution for postemployment health benefits. The compensated absences increased \$13.1 million. The Internal Service fund balance decreased \$20.5 million. Lease activities increased \$11.5 million and \$38 million saved in net position from FY 2015 operation.

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.

Also, MCPS implemented GASB Statement 68 this year. With the new reporting change, MCPS recorded MCPS Employees' Retirement and Pension System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Since MCPS employees are also covered by the Maryland State Retirement and Pension System (the System), MCPS is allocated its proportionate share of State Employees' Retirement and Pension system's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by MCPS. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$359,296,844.

## Revenues by Source - Governmental Activities



**Governmental activities.** Governmental activities unrestricted net deficit increased \$27.9 million to a deficit of \$961.9 million at June 30, 2015. The increase in unrestricted net deficit arose primarily from an increase of \$20.7 million in the net OPEB obligation, \$12.9 million in compensated absences, \$11.3 million in lease activities, and \$20.5 million in the Internal Service fund balance. \$36 million saved in net position from 2015 operations.

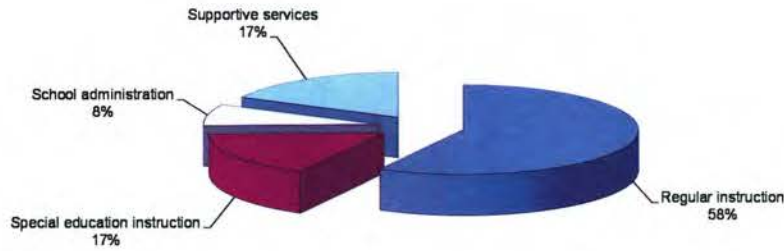
Total revenues for MCPS' governmental activities increased \$41.6 million (1.6 percent). Intergovernmental revenues increased \$22.9 million (0.9 percent), and operating grants revenues increased \$0.9 million (1.1 percent). Intergovernmental revenues from Montgomery County decreased \$0.8 million (0.04 percent). An increase of \$30.4 million in general operating revenue was offset by a decrease of \$31.2 million in capital projects revenue in 2015. Intergovernmental revenue from the State of Maryland increased \$18.3 million (2.3 percent), related to an increase of \$12.0 million in unrestricted *Bridge to Excellence* formula-driven grants, an increase of \$7.9 million in the state's pension contribution made on behalf of MCPS employees, offset by a decrease of \$1.3 million in construction funds. Federal intergovernmental revenue increased \$1.4 million, largely due to an increase of \$5.4 million in Medicare Part D subsidies.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3.8	\$ 3.8	\$ 23.8	\$ 23.1	\$ 27.6	\$ 26.9
Operating grants and contributions	80.1	79.2	38.7	36.0	118.8	115.2
Capital grants and contributions	78.4	59.7	0.4	2.0	78.8	61.7
General revenues:						
Intergovernmental	2,490.1	2,467.2			2,490.1	2,467.2
Other	0.5	1.4			0.5	1.4
Total revenues	<u>2,652.9</u>	<u>2,611.3</u>	<u>62.9</u>	<u>61.1</u>	<u>2,715.8</u>	<u>2,672.4</u>
<b>Expenses:</b>						
Regular instruction	1,507.2	1,510.1			1,507.2	1,510.1
Special education	433.3	436.2			433.3	436.2
School administration	203.5	210.2			203.5	210.2
Student personnel services	16.6	16.5			16.6	16.5
Health services						
Student transportation	135.0	136.4			135.0	136.4
Operation of plant	169.6	159.0			169.6	159.0
Maintenance of plant	69.5	76.5			69.5	76.5
Administration	64.3	59.6			64.3	59.6
Community services	3.2	3.1			3.2	3.1
Interest on capital leases	0.8	0.7			0.8	0.7
Food services			54.3	53.0	54.3	53.0
Real estate management			3.4	2.8	3.4	2.8
Field trips			1.9	1.8	1.9	1.8
Entrepreneurial activities			2.5	2.4	2.5	2.4
Total expenses	<u>2,603.0</u>	<u>2,608.3</u>	<u>62.1</u>	<u>60.0</u>	<u>2,665.1</u>	<u>2,668.3</u>
Increase (decrease) in net position	49.9	3.0	0.8	1.1	50.7	4.1
Net position, July 1	1,892.9	1,889.9	(2.9)	(4.0)	1,890.0	1,885.9
Net position, beginning, restated	<u>1,533.6</u>	<u>1,889.9</u>	<u>(2.9)</u>	<u>(4.0)</u>	<u>1,530.7</u>	<u>1,885.9</u>
Net position, June 30	\$ <u>1,583.5</u>	\$ <u>1,892.9</u>	\$ <u>(2.1)</u>	\$ <u>(2.9)</u>	\$ <u>1,581.4</u>	\$ <u>1,890.0</u>

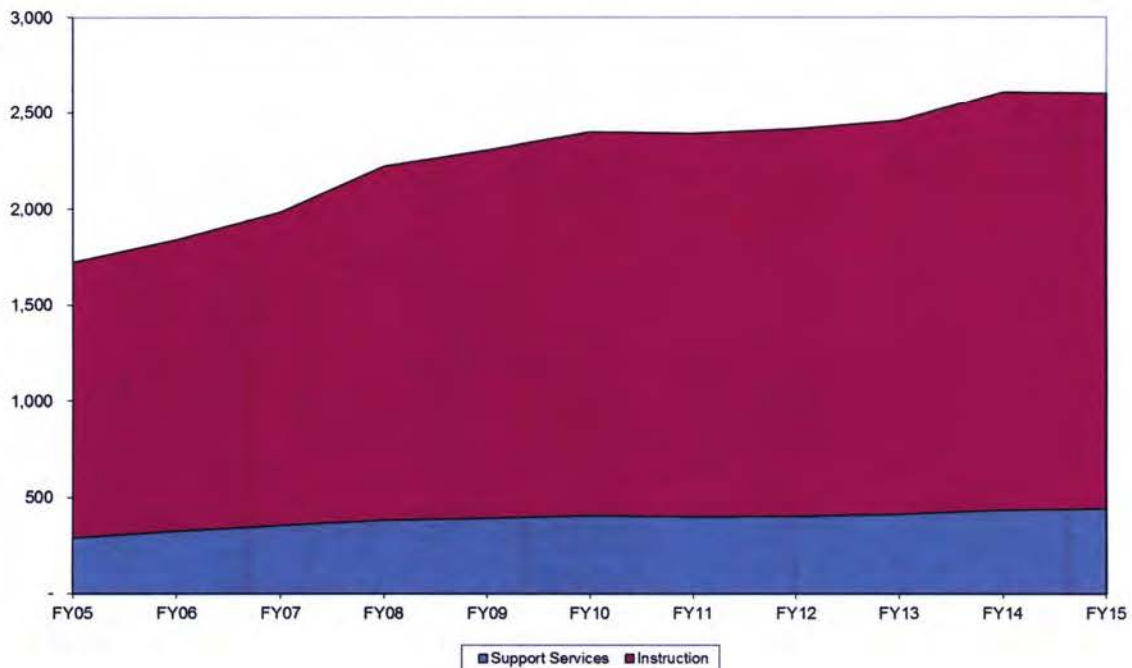
Total expenses for MCPS governmental activities decreased \$5.3 million (0.2 percent) to \$2,603.0 million. In 2015, instructional programs expenses accounted for 83 percent, (83 percent in 2014), and support services accounted for 17 percent (17 percent in 2014) of total governmental activities expenses.

**Expenses by Function - Governmental Activities**



Support service and instructional expenses remain flat as 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 \$26.8 million (10.1 percent), principally due to employee health care and other postemployment health benefits funded through reserves. General fund salaries increased \$56.3 million (3.79 percent) primarily due to steps and longevity increases in FY 2015. The FY 2015 Operating Budget included funds for all increases in the negotiated agreements that took effect in 2014. The agreements provided a general wage adjustment of 1.5 percent on November 29, 2014 in addition to the step increase for the employees who are eligible for each year of the contract.

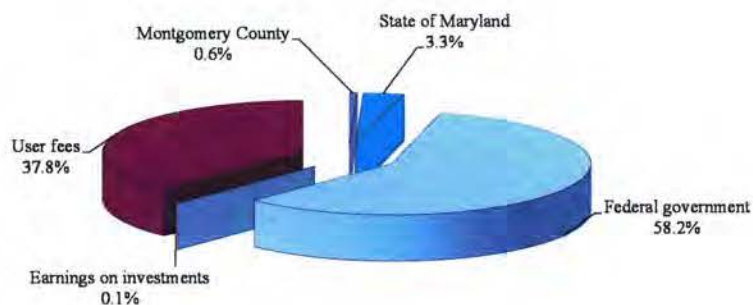
**Instruction vs. Support Services Expenses  
(Amount expressed in millions)**



**Business-type activities.** Business-type activities increased MCPS' net position by \$0.8 million. Total revenues increased \$1.8 million (2.9 percent) to \$62.9 million. Charges for services increased \$0.7 million (3 percent) due to an increase of \$0.2 million on field trip income, \$0.3 million on entrepreneurial income, and \$0.5 million in rental in rental fees, offset by a decrease of \$0.3 million on paid and reduced lunch sales. The number of paid and reduced lunch meals decreased 124,667 (2.8 percent) to 4,409,146 in FY 2015. Operating grants related to federal student lunch programs increased \$2.7 million (7.5 percent) due to an increase in the reimbursement rates from \$2.61 to \$2.66 for reduced rate meals, and from \$3.01 to \$3.06 for free meals served which resulted in an increase of \$0.7 million (3.5 percent) for the Federal lunch program. The Maryland Meals for Achievement (MMFA) program related to serving breakfast in the classroom also increased to a total of 78 schools by June 2015, which increased state reimbursement for this program by \$0.6 million (37 percent) and \$1.4 million for the federal breakfast reimbursement (19 percent). Capital contribution related to food service equipment in schools decreased \$1.6 million.

Total expenses increased \$2.1 million (3.5 percent). Food services operating expenses increased \$1.3 million (2.45 percent), real estate management increased by \$0.6 million (21.4 percent) and other enterprise funds increased by \$0.2 million (4.8 percent). Food costs increased \$1 million (6.8 percent) due to new breakfast regulations which began SY14-15 requiring ½ cup fruit or vegetable be taken by each student increased food costs by \$0.3 million (22 percent). An overall increase in breakfast meals (4.9 million) increased other food costs by \$0.7 million (5 percent). Salary costs increased by \$0.9 million (4.9 percent) due to COLA, annual step increases, and increased use of part-time, substitute, and overtime expense related to the increased participation in the summer meal program, and the MMFA breakfast program. Other charges decreased \$0.6 million due to a decrease of the required OPEB contribution by \$0.6 million (67 percent).

### Revenues by Source - Business-type Activities



## Financial Analysis of MCPS' Funds

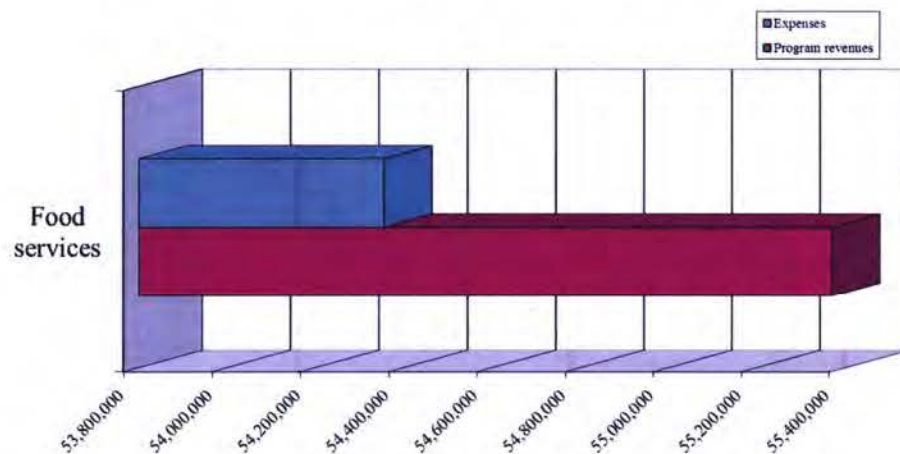
MCPS uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions.

**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.

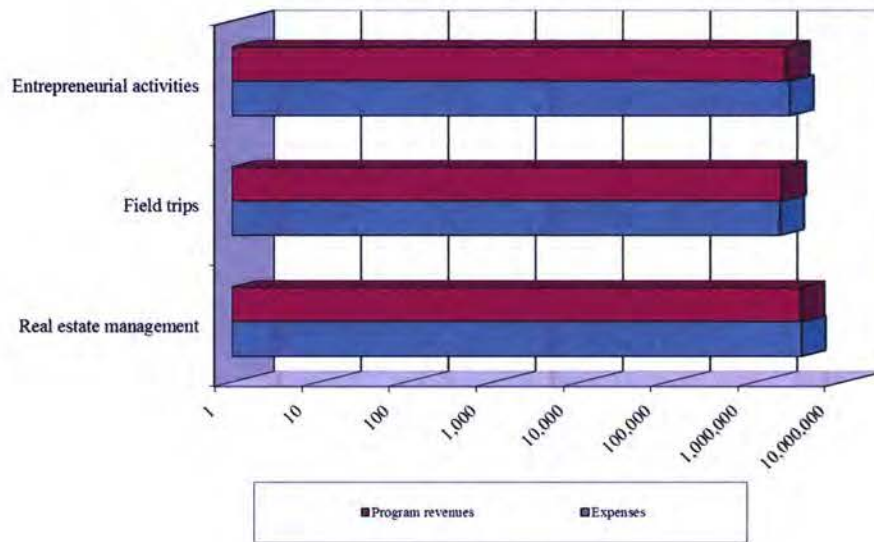
As of the end of the current fiscal year, MCPS' governmental funds reported combined ending fund balance of \$34.5 million, a decrease of \$2 million from the prior year. Fund balance restricted for the instructional TV program is \$0.3 million, the same as the prior year.

The general fund is the principal operating fund of MCPS. At June 30, 2015, fund balance was \$34.3 million. Nonspendable fund balance was \$7.5 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs increased by \$0.3 million to \$2.8 million. Unassigned fund balance decreased by \$1.7 million to \$24 million at June 30, 2015.

**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 2015 was \$2,231.8 million. The increase of \$5,339,147 from original budget was a result of receiving teacher quality incentive grant of \$4,787,121, LEA assessment system grant of \$633,145, reduced by a realignment of food service grants received during the year from restricted program grants.

Actual budgetary fund balance was reduced by \$4.8 million to \$37.1 million. The decrease in fund balance resulted primarily from using \$38.2 million from MCPS fund balance to support operations based on the Montgomery County Council’s decision for the MCPS FY 2015 Operating Budget, and \$2.5 million for prior year carryover encumbrances, offset by \$35.9 million in the FY15 excess of revenues over expenditures and encumbrances.

Actual revenues were \$11.1 million under budget for the year primarily as a result of decreased federal grants. Unrestricted revenue was \$1.6 million in excess of budget. Revenue from fees was up \$0.2 million, State revenue for tuition for students attending nonpublic programs was up \$1.5 million, and Federal Impact Aid was down \$0.1 million. Restricted revenues were \$12.7 million under budget, of which \$4.8 million comprised estimated restricted grant activity that did not materialize, and \$7.9 million in unrealized revenue for grants that carried forward into FY 2015.

Actual expenditures were \$47.1 million under budget. Restricted expenditures were \$12.7 million less than the budget, which consisted of \$7.9 million in unspent funds for grants that carry forward into FY 2015, and \$4.8 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$34.4 million under budget. A savings plan implemented during the year reduced expenditures, higher than budgeted instructional salaries lapse, and turnover savings of \$34.4 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, 2015, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$2,583.1 million, net of accumulated depreciation. This amount represents a net increase of \$81.1 million or 3.2 percent from last year. The net value of buildings, less accumulated depreciation, increased \$25.2 million and construction in progress increased \$44.8 million.

#### Montgomery County Public Schools Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 81.2	\$ 81.2	\$	\$	\$ 81.2	\$ 81.2
Buildings	2,036.1	2,010.8			2,036.1	2,010.8
Improvements other than buildings	246.8	240.9			246.8	240.9
Vehicles and equipment	68.7	63.8	5.2	5.0	73.9	68.8
Construction	145.1	100.3			145.1	100.3
Total	\$ 2,577.9	\$ 2,497.0	\$ 5.2	\$ 5.0	\$ 2,583.1	\$ 2,502.0

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2015, MCPS added 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. In FY 2016, MCPS will add 45 classrooms including 18 classrooms at Clarksburg High School, 6 classrooms at Arcola Elementary School, 8 classrooms at Bethesda Elementary School, 6 classrooms at North Chevy Chase Elementary School, and 7 classrooms at Rosemary Hills Elementary School. With the revitalization and expansion projects of Wheaton High School, the capacity could increase by 15 more classrooms.

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

**Long-term debt.** At June 30, 2015, MCPS had \$65.2 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 \$42.8 million during FY 2015. Principal payments on existing capital leases were \$28.5 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 12 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 \$83.7 million and \$85.5 million respectively in FY 2014 and FY 2015 on behalf of MCPS to maintain progress toward completion of the eight-year phase-in. The county reached 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 has been 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 was 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 as of July 1, 2015. The county partially offset the draw-downs by increases to the consolidated OPEB Plan Trust. In FY 2016, MCPS will have \$51.2 million in total retiree pay-as-you-go funding, with the entire amount from the MCPS internal OPEB Trust (\$24 million) and the Consolidated OPEB Trust (\$27.2 million). Unlike the Council's action in FY15, the Executive's budget does not replace the expenditures from either Trust.

The Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective in FY 2017, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*, which is effective in FY 2018 for MCPS. These Statements are intended to improve accounting and financial reporting by state and local governments that provide postemployment benefits. MCPS is currently evaluating the effect of the implementation of these statements.

**Pension Plan.** The MCPS has adopted 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 is required to record a pension expense on the government-wide statement of activities.

MCPS has adopted 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.

**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. In FY 2015, MCPS received an additional \$13.3 million in state aid including \$34.4 million in GCEI funding. The calculations included a 0.46 percent increase in the Target per Pupil Foundation amount and a 1 percent increase in the Consumer Price Index for Transportation funding. The NTI adjustment was funded in the second year of the phase-in at the 40 percent level.

**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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Educational Foundation
<b>Assets</b>				
Equity in pooled cash and investments	\$ 25,475,101	\$ 1,473,958	\$ 26,949,059	\$
Cash and cash equivalents		9,603,469	9,603,469	38,910
Investments - cash equivalents	21,869,772		21,869,772	
Investments				5,116,965
Accounts receivable:				
Montgomery County	48,680,411	11,365	48,691,776	
State of Maryland	15,493,222	225,582	15,718,804	
Federal government	7,775,930	2,072,537	9,848,467	
Other	24,656,351	307,123	24,963,474	
Due from component unit	49,666		49,666	
Internal balances	8,276,084	(8,276,084)		
Inventories	7,129,573	1,796,944	8,926,517	
Prepays	327,335		327,335	
Due from employees	231,993		231,993	
Capital assets (net of accumulated depreciation):				
Land	81,179,460		81,179,460	
Buildings and additions	2,036,073,758		2,036,073,758	
Improvements other than buildings	246,755,561		246,755,561	
Construction in progress	145,099,671		145,099,671	
Vehicles and equipment	68,749,056	5,244,847	73,993,903	26,542
<b>Total assets</b>	<b>2,737,822,944</b>	<b>12,459,741</b>	<b>2,750,282,685</b>	<b>5,182,417</b>
<b>Deferred Outflows Of Resources</b>				
Pension deferrals	84,228,762		84,228,762	
<b>Total deferred outflows of resources</b>	<b>84,228,762</b>	<b>-</b>	<b>84,228,762</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities	119,592,436	861,368	120,453,804	6,144
Due to primary government				49,666
Due to external parties	444,551		444,551	
Unearned revenue	4,483,861	2,783,910	7,267,771	
Noncurrent liabilities:				
Due within one year	32,640,054	588,340	33,228,394	
Due in more than one year	963,840,050	10,367,441	974,207,491	
<b>Total liabilities</b>	<b>1,121,000,952</b>	<b>14,601,059</b>	<b>1,135,602,011</b>	<b>55,810</b>
<b>Deferred Inflows Of Resources</b>				
Pension deferrals	117,515,233		117,515,233	
<b>Total deferred inflows of resources</b>	<b>117,515,233</b>	<b>-</b>	<b>117,515,233</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	2,545,451,592	5,195,791	2,550,647,383	
Restricted for:				
Instructional Programs, Expendable				217,158
Scholarships, Non-Expendable				821,862
Unrestricted	(961,916,071)	(7,337,109)	(969,253,180)	4,087,587
<b>Total net position</b>	<b>\$ 1,583,535,521</b>	<b>\$ (2,141,318)</b>	<b>\$ 1,581,394,203</b>	<b>\$ 5,126,607</b>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,507,192,601	\$ 3,278,799	\$ 39,461,060	\$ 48,313,076
Special education	433,278,196	173,891	34,386,260	
School administration	203,472,513		1,597,533	
Student personnel services	16,623,187		651,263	
Health services	1,594			
Total instruction	<u>2,160,568,091</u>	<u>3,452,690</u>	<u>76,096,116</u>	<u>48,313,076</u>
Support services:				
Student transportation	134,999,834	351,634	286,568	-
Operation of plant	169,601,304			3,446,905
Maintenance of plant	69,525,061			21,335,063
Administration	64,351,553		1,330,434	5,301,553
Community services	3,168,196		2,434,331	
Interest on capital leases	784,439			
Total support services	<u>442,430,387</u>	<u>351,634</u>	<u>4,051,333</u>	<u>30,083,521</u>
Total governmental activities	<u>2,602,998,478</u>	<u>3,804,324</u>	<u>80,147,449</u>	<u>78,396,597</u>
Business-type activities:				
Food services	54,353,613	16,303,287	38,684,559	381,764
Real estate management	3,385,485	3,277,410		
Field trips	1,895,960	2,003,127		
Entrepreneurial activities	2,466,024	2,205,227		
Total business-type activities	<u>62,101,082</u>	<u>23,789,051</u>	<u>38,684,559</u>	<u>381,764</u>
Total primary government	<u>\$ 2,665,099,560</u>	<u>\$ 27,593,375</u>	<u>\$ 118,832,008</u>	<u>\$ 78,778,361</u>
<b>Component Unit:</b>				
Educational Foundation	<u>\$ 1,393,922</u>	<u>\$ -</u>	<u>\$ 1,384,623</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, previously reported  
 Restatement  
 Net position - beginning, as restated  
 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
\$ (1,416,139,666)	\$ -	\$ (1,416,139,666)	\$ -
(398,718,045)		(398,718,045)	
(201,874,980)		(201,874,980)	
(15,971,924)		(15,971,924)	
(1,594)		(1,594)	
<u>(2,032,706,209)</u>	<u>-</u>	<u>(2,032,706,209)</u>	<u>-</u>
(134,361,632)		(134,361,632)	
(166,154,399)		(166,154,399)	
(48,189,998)		(48,189,998)	
(57,719,566)		(57,719,566)	
(733,865)		(733,865)	
(784,439)		(784,439)	
<u>(407,943,899)</u>	<u>-</u>	<u>(407,943,899)</u>	<u>-</u>
<u>(2,440,650,108)</u>	<u>-</u>	<u>(2,440,650,108)</u>	<u>-</u>
	1,015,997	1,015,997	
	(108,075)	(108,075)	
	107,167	107,167	
	(260,797)	(260,797)	
<u>-</u>	<u>754,292</u>	<u>754,292</u>	<u>-</u>
<u>(2,440,650,108)</u>	<u>754,292</u>	<u>(2,439,895,816)</u>	<u>-</u>
			<u>(9,299)</u>
1,672,029,373		1,672,029,373	
810,716,731		810,716,731	
7,387,393		7,387,393	
460,704	16,722	477,426	
<u>2,490,594,201</u>	<u>16,722</u>	<u>2,490,610,923</u>	<u>-</u>
49,944,093	771,014	50,715,107	(9,299)
1,892,888,272	(2,912,332)	1,889,975,940	5,135,906
(359,296,844)	-	(359,296,844)	
1,533,591,428	(2,912,332)	1,530,679,096	5,135,906
<u>\$ 1,583,535,521</u>	<u>\$ (2,141,318)</u>	<u>\$ 1,581,394,203</u>	<u>\$ 5,126,607</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash and investments	\$ 25,475,101	\$ -	\$ -	\$ 25,475,101
Accounts receivable:				
Montgomery County	11,884,600	36,795,811		48,680,411
State of Maryland	7,786,965	7,706,257		15,493,222
Federal government	7,600,199	175,731		7,775,930
Other	22,669,870	131,984		22,801,854
Due from other funds	25,620,887	897,470	273,384	26,791,741
Due from fiduciary funds	1,842,105			1,842,105
Due from component unit	49,666			49,666
Inventories	7,129,573			7,129,573
Prepays	327,335			327,335
Due from employees	231,993			231,993
Total assets	<u>\$ 110,618,294</u>	<u>\$ 45,707,253</u>	<u>\$ 273,384</u>	<u>\$ 156,598,931</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 29,581,207	\$ 23,741,848	\$ 301	\$ 53,323,356
Retainage payable		5,146,735		5,146,735
Accrued salaries and withholdings	35,646,109			35,646,109
Due to other funds	273,384	16,818,670	7,666	17,099,720
Unearned revenue	4,483,861			4,483,861
Compensated absences	6,369,244			6,369,244
Total liabilities	<u>76,353,805</u>	<u>45,707,253</u>	<u>7,967</u>	<u>122,069,025</u>
Fund Balances:				
Nonspendable:				
Inventories	7,129,573			7,129,573
Prepays	327,335			327,335
Restricted for:				
Instructional TV program			265,417	265,417
Assigned for:				
Instructional programs	2,758,823			2,758,823
Unassigned	24,048,758			24,048,758
Total fund balances	<u>34,264,489</u>	<u>-</u>	<u>265,417</u>	<u>34,529,906</u>
Total liabilities and fund balances	<u>\$ 110,618,294</u>	<u>\$ 45,707,253</u>	<u>\$ 273,384</u>	<u>\$ 156,598,931</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, 2015

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

Total fund balances - governmental funds		\$	34,529,906
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	\$ 3,766,445,887	
	Accumulated depreciation is	<u>(1,188,588,381)</u>	
			2,577,857,506
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position			
			84,060,240
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.			
			(5,454,560)
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	(64,224,227)	
	Compensated absences	\$ (134,903,492)	
	Compensated absences-Governmental Funds	<u>6,369,244</u>	
		(128,534,248)	
	Net pension liability	(283,992,324)	
	OPEB obligation	<u>(513,360,061)</u>	
			(990,110,860)
Pension related deferred outflows/(inflows) of resources			
			<u>(117,346,711)</u>
Total net position - governmental activities			
			<u>\$ 1,583,535,521</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, 2015

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
<b>Revenues:</b>				
Montgomery County	\$ 1,562,488,059	\$ 184,246,641	\$ -	\$ 1,746,734,700
State of Maryland	780,907,939	37,579,351		818,487,290
Federal government	78,890,866	2,271,764		81,162,630
Other sources	4,807,681	154,648	1,595,624	6,557,953
Total revenues	<u>2,427,094,545</u>	<u>224,252,404</u>	<u>1,595,624</u>	<u>2,652,942,573</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	43,121,059			43,121,059
Mid-level administration	136,742,143			136,742,143
Instructional salaries and wages	887,923,350			887,923,350
Instructional textbooks and supplies	23,110,188			23,110,188
Other instructional costs	10,131,255			10,131,255
Special education	298,528,876			298,528,876
Student personnel services	11,185,874			11,185,874
Health services	1,594			1,594
Student transportation	102,233,482			102,233,482
Operation of plant	127,576,145			127,576,145
Maintenance of plant	31,557,851			31,557,851
Fixed charges	759,060,741			759,060,741
Community services	801,616		1,634,802	2,436,418
<b>Debt service:</b>				
Capital lease principal	12,517,290	15,721,332		28,238,622
Capital lease interest	576,756	207,683		784,439
Capital outlay		234,711,185		234,711,185
Total expenditures	<u>2,445,068,220</u>	<u>250,640,200</u>	<u>1,634,802</u>	<u>2,697,343,222</u>
Excess (deficiency) of revenues over expenditures	<u>(17,973,675)</u>	<u>(26,387,796)</u>	<u>(39,178)</u>	<u>(44,400,649)</u>
<b>Other financing sources:</b>				
Capital lease financing	16,065,931	26,387,796		42,453,727
Total other financing sources	<u>16,065,931</u>	<u>26,387,796</u>	<u>-</u>	<u>42,453,727</u>
Net change in fund balances	(1,907,744)	-	(39,178)	(1,946,922)
Fund balances - beginning	<u>36,172,233</u>	<u>-</u>	<u>304,595</u>	<u>36,476,828</u>
Fund balances - ending	<u>\$ 34,264,489</u>	<u>\$ -</u>	<u>\$ 265,417</u>	<u>\$ 34,529,906</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, 2015

Total net change in fund balances - governmental funds \$ (1,946,922)

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 (\$234,711,185 less non-capitalized items of \$78,396,598) plus capital outlays for general fund assets (\$16,298,109) exceed depreciation expense (\$90,793,081) in the current period. 81,819,615

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets and the donation of land from developers is to decrease net position. (986,765)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 84,060,240

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 (\$42,453,727) exceeded principal payments (\$28,238,622) (14,215,105)

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	\$ (20,745,241)	
Compensated absences	(12,907,368)	
Pension expense	<u>(44,660,108)</u>	
		(78,312,717)

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. (20,474,253)

Change in net position of governmental activities \$ 49,944,093

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, 2015

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
<b>Revenues:</b>						
Montgomery County	\$ -	\$ 1,476,855,309	\$ 1,476,855,309	\$ 1,476,981,059	\$ 1,476,981,059	\$ -
State of Maryland		619,014,984	619,014,984	625,274,630	626,454,156	1,179,526
Federal government		77,325,415	77,325,415	80,568,809	71,762,253	(8,806,556)
Other sources		12,591,005	12,591,005	8,301,362	4,807,681	(3,493,681)
<b>Total revenues</b>	-	2,185,786,713	2,185,786,713	2,191,125,860	2,180,005,149	(11,120,711)
<b>Expenditures and encumbrances:</b>						
<b>Current:</b>						
Administration	199,793	43,968,096	44,167,889	45,291,436	43,127,138	2,164,298
Mid-level administration	98,884	141,794,614	141,893,498	142,163,615	136,800,129	5,363,486
Instructional salaries and wages		901,228,160	901,228,160	900,362,156	887,992,223	12,369,933
Instructional textbooks and supplies	994,317	29,231,712	30,226,029	30,328,949	23,431,236	6,897,713
Other instructional costs	345,091	12,104,496	12,449,587	12,708,462	10,504,965	2,203,497
Special education	200,073	310,995,841	311,195,914	310,439,536	298,749,971	11,689,565
Student personnel services	203	11,517,536	11,517,739	11,577,739	11,185,874	391,865
Health services		3,590	3,590	3,590	1,594	1,996
Student transportation	97,184	101,746,370	101,843,554	102,084,945	99,563,792	2,521,153
Operation of plant	253,035	128,874,410	129,127,445	129,127,445	127,727,579	1,399,866
Maintenance of plant	294,329	33,353,114	33,647,443	33,647,443	32,877,250	770,193
Fixed charges	27,625	508,382,253	508,409,878	513,029,131	511,982,492	1,046,639
Community services		758,972	758,972	1,044,398	801,616	242,782
<b>Total expenditures and encumbrances</b>	2,510,534	2,223,959,164	2,226,469,698	2,231,808,845	2,184,745,859	47,062,986
<b>Excess (deficiency) of revenues over expenditures and encumbrances</b>	(2,510,534)	(38,172,451)	(40,682,985)	(40,682,985)	(4,740,710)	35,942,275
<b>Excess (deficiency) of revenues over expenditures and encumbrances</b>	(2,510,534)	(38,172,451)	(40,682,985)	(40,682,985)	(4,740,710)	35,942,275
<b>Fund balance - beginning</b>	2,510,534	38,172,451	40,682,985	40,682,985	41,865,618	1,182,633
<b>Fund balance - ending</b>	\$ -	\$ -	\$ -	\$ -	37,124,908	\$ 37,124,908

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, 2015

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 1,473,958	\$ 1,473,958	\$ -
Cash and cash equivalents	9,603,469		9,603,469	
Investments - cash equivalents				21,869,773
Accounts receivable:				
Montgomery County	11,365		11,365	
State of Maryland	225,582		225,582	
Federal government	2,072,537		2,072,537	
Other		307,123	307,123	1,854,495
Due from other funds		217,753	217,753	
Inventories	1,778,451	18,493	1,796,944	
Total current assets	<u>13,691,404</u>	<u>2,017,327</u>	<u>15,708,731</u>	<u>23,724,268</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	5,130,663	114,184	5,244,847	
Total noncurrent assets	<u>5,130,663</u>	<u>114,184</u>	<u>5,244,847</u>	<u>-</u>
Total assets	<u>18,822,067</u>	<u>2,131,511</u>	<u>20,953,578</u>	<u>23,724,268</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	704,111	157,257	861,368	2,038,937
Claims payable				19,028,247
Due to employees, advance premium withholdings				4,409,052
Due to other funds	8,455,075	38,762	8,493,837	1,415,937
Due to external parties				2,286,655
Unearned revenue	2,356,693	427,217	2,783,910	
Capital leases - current	181,267	344,736	526,003	
Compensated absences - current	62,337		62,337	
Total current liabilities	<u>11,759,483</u>	<u>967,972</u>	<u>12,727,455</u>	<u>29,178,828</u>
Noncurrent liabilities:				
Net OPEB obligation	7,447,549		7,447,549	
Capital leases payable	368,007	79,628	447,635	
Compensated absences	2,142,165	330,092	2,472,257	
Total noncurrent liabilities	<u>9,957,721</u>	<u>409,720</u>	<u>10,367,441</u>	<u>-</u>
Total liabilities	<u>21,717,204</u>	<u>1,377,692</u>	<u>23,094,896</u>	<u>29,178,828</u>
<b>Net Position</b>				
Net investment in capital assets	5,081,607	114,184	5,195,791	
Unrestricted (deficit)	<u>(7,976,744)</u>	<u>639,635</u>	<u>(7,337,109)</u>	<u>(5,454,560)</u>
Total net position	<u>\$ (2,895,137)</u>	<u>\$ 753,819</u>	<u>\$ (2,141,318)</u>	<u>\$ (5,454,560)</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, 2015

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>Operating revenues:</b>				
Sale of food	\$ 16,303,287	\$ -	\$ 16,303,287	\$ -
Rent and fees		7,485,764	7,485,764	
Employer's contributions				250,834,474
Members' contributions				29,314,063
Total operating revenues	<u>16,303,287</u>	<u>7,485,764</u>	<u>23,789,051</u>	<u>280,148,537</u>
<b>Operating expenses:</b>				
Salaries and wages	20,324,956	2,840,129	23,165,085	
Contracted services	1,565,280	682,656	2,247,936	
Supplies and materials	1,690,257	827,482	2,517,739	
Food purchases	15,624,909		15,624,909	
USDA commodities	2,686,683		2,686,683	
Other charges	11,582,284	3,384,515	14,966,799	3,569,398
Depreciation	879,244	12,687	891,931	
Benefits paid to plan members				242,256,486
Premiums paid to insurance companies				54,802,899
Total operating expenses	<u>54,353,613</u>	<u>7,747,469</u>	<u>62,101,082</u>	<u>300,628,783</u>
Operating income (loss)	<u>(38,050,326)</u>	<u>(261,705)</u>	<u>(38,312,031)</u>	<u>(20,480,246)</u>
<b>Nonoperating revenues:</b>				
National school lunch and other food programs:				
Federal funds	33,916,260		33,916,260	
State funds	2,081,616		2,081,616	
USDA commodities	2,686,683		2,686,683	
Investment income	16,722		16,722	5,993
Total nonoperating revenues	<u>38,701,281</u>	<u>-</u>	<u>38,701,281</u>	<u>5,993</u>
Income (loss) before capital contributions and transfers	650,955	(261,705)	389,250	(20,474,253)
Capital contributions - equipment	<u>381,764</u>		<u>381,764</u>	
Change in net position	1,032,719	(261,705)	771,014	(20,474,253)
Total net position - beginning	<u>(3,927,856)</u>	<u>1,015,524</u>	<u>(2,912,332)</u>	<u>15,019,693</u>
Total net position - ending	<u>\$ (2,895,137)</u>	<u>\$ 753,819</u>	<u>\$ (2,141,318)</u>	<u>\$ (5,454,560)</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, 2015

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 16,516,102	\$ 7,453,410	\$ 23,969,512	\$ 30,290,462
Receipts from assessments made to other funds				257,059,952
Payments to suppliers	(16,968,543)	(1,507,280)	(18,475,823)	(53,023,315)
Payments to employees	(21,776,318)	(3,008,624)	(24,784,942)	
Payments for insurance claims				(243,480,295)
Payments for assessments made by other funds	(9,309,646)	(454,177)	(9,763,823)	
Payments for other operating expenses	(340,006)	(2,715,296)	(3,055,302)	(3,569,398)
Net cash used by operating activities	<u>(31,878,411)</u>	<u>(231,967)</u>	<u>(32,110,378)</u>	<u>(12,722,594)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating grants received	35,851,150		35,851,150	
Transfers (to) from other funds				(13,236,931)
Net cash used by noncapital financing activities	<u>35,851,150</u>	<u>-</u>	<u>35,851,150</u>	<u>(13,236,931)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital leases	261,790	132,742	394,532	
Purchases of capital assets	(594,557)	(126,872)	(721,429)	
Principal paid on capital leases	(182,938)	(30,659)	(213,597)	
Net cash used by capital and related financing activities	<u>(515,705)</u>	<u>(24,789)</u>	<u>(540,494)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	16,722		16,722	5,842
Net cash provided by investing activities	<u>16,722</u>	<u>-</u>	<u>16,722</u>	<u>5,842</u>
Net increase (decrease) in cash and cash equivalents	3,473,756	(256,756)	3,217,000	(25,953,683)
Cash and cash equivalents - beginning	6,129,713	1,730,714	7,860,427	47,823,456
Cash and cash equivalents - ending	<u>\$ 9,603,469</u>	<u>\$ 1,473,958</u>	<u>\$ 11,077,427</u>	<u>\$ 21,869,773</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating loss	\$ (38,050,326)	\$ (261,705)	\$ (38,312,031)	\$ (20,480,246)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	879,244	12,687	891,931	
USDA commodities used	2,686,683		2,686,683	
Effects of changes in operating assets and liabilities:				
Receivables		(50,784)	(50,784)	
Due from other funds				4,809,542
Non USDA inventories	49,350	(15,222)	34,128	
Accounts payable	(175,695)	14,616	(161,079)	1,779,583
Claims payable				(1,223,809)
Advance premium withholdings				976,399
Due to other funds	2,038,248	3,465	2,041,713	1,415,937
Unearned revenue	212,815	18,430	231,245	
Net OPEB obligation	300,961		300,961	
Compensated absences	180,309	46,546	226,855	
Net cash used by operating activities	<u>\$ (31,878,411)</u>	<u>\$ (231,967)</u>	<u>\$ (32,110,378)</u>	<u>\$ (12,722,594)</u>
<b>Noncash investing, capital and financing activities:</b>				
Capital contributions of equipment	\$ 381,764	\$ -	\$ 381,764	\$ -
USDA commodities received	(2,686,683)		(2,686,683)	

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, 2015

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
<b>ASSETS</b>		
Cash	\$ -	\$ 16,274,129
Investments:		
Global equities	696,844,850	
Fixed income securities	336,804,402	
Real estate	114,593,598	
Alternative investments	223,931,952	
Short-term investments	61,416,933	
Total investments	1,433,591,735	-
Accounts receivable	543,053	2,232,183
Due from Internal Service Fund	2,286,655	
Due from County Consolidated Retiree Health Benefits Trust	265,757,671	
Inventories		132,025
Total assets	1,702,179,114	18,638,337
<b>LIABILITIES</b>		
Accounts payable	222,912	1,555,773
Claims payable	5,927,668	
Due to general fund	1,842,105	
Due to student groups		17,082,564
Total liabilities	7,992,685	\$ 18,638,337
<b>NET POSITION</b>		
Held in trust for pension/other postemployment benefits	\$ 1,694,186,429	

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, 2015

	Pension and Other Employee Benefits Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 183,090,149
Members	53,765,680
Federal government - Medicare Part D	7,128,613
Total contributions	243,984,442
Investment earnings:	
Net increase in fair value of investments	23,068,907
Interest and dividends	7,695,664
Total investment earnings	30,764,571
Less investment expense:	
Investment fees and other	(3,633,568)
Total investment expense	(3,633,568)
Net investment earnings	27,131,003
Total additions	271,115,445
<b>DEDUCTIONS</b>	
Benefits paid to plan members	160,928,690
Premiums paid to insurance companies	14,880,786
Administrative expenses	2,514,516
Total deductions	178,323,992
Change in net position	92,791,453
Net position - beginning	1,601,394,976
Net position - ending	\$ 1,694,186,429

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, 2015

Note 1	Summary of Significant Accounting Policies
Note 2	Budgetary Information
Note 3	Deposits and Investments
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Note 5	Due from Employees
Note 6	Capital Assets
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MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**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 Chief Financial Officer, Montgomery County Public Schools, 45 Gude Drive, Suite 1200, 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  
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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 204 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 recognize assets and liabilities.

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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.

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.

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
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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

**h) Deferred outflow/inflows of resources**

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be

MONTGOMERY COUNTY PUBLIC SCHOOLS  
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recognized as an expense or expenditure until then. MCPS has items that meets this criterion, changes in assumptions and contribution made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will be recognized as revenue until then. MCPS has one item that meets the criterion, deferrals of pension expense that result from the implementation of GASB Statement 68.

**i) 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.

**j) 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.

**k) 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 are 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). The governing body can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. Capital Projects Fund resources may only be used for construction projects specifically approved by the



MONTGOMERY COUNTY PUBLIC SCHOOLS  
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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 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 represents equity reserved for future claim losses and benefits under the employee benefit plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans (Plans) and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**l) Governmental Accounting Standards Board (GASB) Pronouncements**

MCPS has adopted 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 is required to record a pension expense on the government-wide statement of activities.

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

**m) 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. 72, *Fair Value Measurement and Application*

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This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement will become effective for the reporting period beginning after June 15, 2015. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement will become effective for the reporting period beginning after June 15, 2016. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve financial reporting by state and local governmental postemployment benefit plans other than pension plans. This Statement will become effective for the reporting period beginning after June 15, 2016. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*

The objective of this Statement is to improve accounting and financial reporting by state and local governmental postemployment benefit plans other than pension. This Statement will become effective for the reporting period beginning after June 15, 2017. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This Statement will become effective for the reporting period beginning after June 15, 2015. 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

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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.

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	\$ 2,180,005,149	\$ 2,184,745,859	\$ -	\$ (4,740,710)
Reconciling items:				
2015 Encumbrances outstanding		(2,758,823)		2,758,823
Increase in compensated absences		(74,143)		74,143
State of Maryland retirement contributions	154,453,783	154,453,783		
Montgomery County OPEB contributions	85,507,000	85,507,000		
Federal Medicare Part D contributions	7,128,613	7,128,613		
Capital lease financing		16,065,931	16,065,931	
As reported – GAAP basis	<u>\$ 2,427,094,545</u>	<u>\$ 2,445,068,220</u>	<u>\$ 16,065,931</u>	<u>\$ (1,907,744)</u>

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Governmental funds encumbrances outstanding at June 30, 2015 include \$2,758,823 for General Fund and \$146,017,726 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, 2015, \$ 3,091,020 of such purchase orders had been issued.

**3. Deposits and Investments**

Cash and investments at June 30, 2015 are summarized as follows:

	Primary Government	Component Unit
Equity in pooled cash and investments	\$ 26,949,059	\$ -
Cash and cash equivalents	9,603,469	38,910
Cash-fiduciary funds	16,274,129	
Investments – cash equivalents	21,869,773	5,116,965
Investments-fiduciary funds	1,433,591,735	
Total	\$ 1,508,288,165	\$ 5,155,875

Deposits and Investments Summary:

Deposits	\$ 52,821,380	\$ 38,910
Investments	1,455,461,508	5,116,965
Cash on hand	5,277	-
Total	\$ 1,508,288,165	\$ 5,155,875

**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 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, 2015, the reported balance of MCPS' deposits was \$52,821,380 and the bank balance was \$52,650,872. 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, 2015, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 696,844,850
Fixed income securities	336,804,402
Real estate	114,593,598
Alternative investments	223,931,952
Short-term investments	37,471,071
Subtotal Pension Trust Investments	1,409,645,873

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OPEB Plan Trust Investments:	
Short-term investments	23,945,862
Subtotal OPEB Plan Trust investments	23,945,862
Other Investments:	
Mutual funds	21,869,773
Total investments	\$ 1,455,461,508

*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 2015, 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.

As of June 30, 2015, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 11,318,128	5.77
Government mortgage-backed securities	9,159,139	4.37
Asset-backed securities	3,831,022	2.79
Commercial mortgage-backed securities	3,410,740	2.61
Collateralized mortgage obligations	2,492,601	2.49
Corporate bonds	15,314,717	7.63
Sovereign bonds	561,662	4.20
Blackrock US debt fund	146,225,756	4.23
SSgA US aggregated bond index	144,490,637	4.16
Short-term in nature	37,471,071	N/A
Sub-total Pension Trust Investments	374,275,473	
Other Investments:		
OPEB Plan Trust bond index fund (Short-term in nature)	23,945,862	N/A
Total	\$ 398,221,335	

*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.

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Pension Trust fixed-income investments at June 30, 2015, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	3.0 %	\$ 11,318,128
AAA	3.8	14,352,844
AA	0.4	1,342,667
A	1.3	4,756,275
BBB	3.7	14,032,414
BB	0.1	285,681
Not rated	87.7	328,187,464
<b>Total</b>	<b>100.0 %</b>	<b>\$ 374,275,473</b>

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

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

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

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

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

During 2015, 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, 2015, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
European Currency Unit	\$ 13,960	\$ 9,781,870	\$ 9,795,830
Japanese Yen	434		434
Swiss Franc	59,035		59,035
<b>Total</b>	<b>\$ 73,429</b>	<b>\$ 9,781,870</b>	<b>\$ 9,855,299</b>

*Commitments.* At June 30, 2015, outstanding commitments with private equity fund managers were \$31,691,491.

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**c) Cash on Hand**

At year-end, the primary government had \$5,277 on hand in petty cash accounts.

**4. Interfund Receivables and Payables**

The composition of interfund receivables and payables as of June 30, 2015, is as follows:

Due to Fund	General	Capital Projects	Due From Fund Nonmajor Government	Nonmajor Enterprise	Total
General	\$ -	\$ -	\$ 273,384	\$ -	\$ 273,384
Capital Projects	16,767,887			50,783	16,818,670
Food Services	7,437,063	851,042		166,970	8,455,075
Nonmajor Government		7,666			7,666
Nonmajor Enterprise		38,762			38,762
Internal Service	1,415,937				1,415,937
<b>Total</b>	<b>\$ 25,620,887</b>	<b>\$ 897,470</b>	<b>\$ 273,384</b>	<b>\$ 217,753</b>	<b>\$ 27,009,494</b>

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

**5. Due From Employees**

The \$231,993 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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 81,179,460	\$ -	\$ -	\$ 81,179,460
Construction in progress	100,325,574	137,007,405	92,233,308	145,099,671
Total nondepreciable capital assets	<u>181,505,034</u>	<u>137,007,405</u>	<u>92,233,308</u>	<u>226,279,131</u>
Depreciable capital assets:				
Buildings and improvements	2,956,160,710	100,009,916	4,538,745	3,051,631,881
Site improvements	302,203,304	11,530,574		313,733,878
Vehicles and equipment	164,829,282	16,298,109	6,326,394	174,800,997
Total depreciable capital assets	<u>3,423,193,296</u>	<u>127,838,599</u>	<u>10,865,139</u>	<u>3,540,166,756</u>
Less accumulated depreciation for:				
Buildings and improvements	945,333,999	73,926,788	3,702,664	1,015,558,123
Site improvements	61,262,364	5,715,953	-	66,978,317
Vehicles and equipment	101,077,311	11,150,340	6,175,710	106,051,941
Total accumulated depreciation	<u>1,107,673,674</u>	<u>90,793,081</u>	<u>9,878,374</u>	<u>1,188,588,381</u>
Total depreciable capital assets, net	<u>2,315,519,622</u>	<u>37,045,518</u>	<u>986,765</u>	<u>2,351,578,375</u>
Government activities capital assets, net	<u>\$ 2,497,024,656</u>	<u>\$ 174,052,923</u>	<u>\$ 93,220,073</u>	<u>\$ 2,577,857,506</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Depreciable capital assets:				
Vehicles and equipment	\$ 19,508,493	\$ 1,107,120	\$ 236,239	\$ 20,379,374
Total depreciable capital assets	<u>19,508,493</u>	<u>1,107,120</u>	<u>236,239</u>	<u>20,379,374</u>
Less accumulated depreciation for:				
Vehicles and equipment	14,474,907	891,931	232,311	15,134,527
Total accumulated depreciation	<u>14,474,907</u>	<u>891,931</u>	<u>232,311</u>	<u>15,134,527</u>
Business-type activities capital assets, net	\$ 5,033,586	\$ 215,189	\$ 3,928	\$ 5,244,847

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

<b>Governmental Activities:</b>	
Regular instruction	\$ 75,042,641
Special education	139,457
School administration	89,526
Student transportation	8,751,072
Operation of plant	165,085
Maintenance of plant	5,950,935
Administration	654,365
Total depreciation expense-governmental activities	<u>\$ 90,793,081</u>
<b>Business-Type Activities:</b>	
Food services	\$ 879,244
Real estate management	12,687
Total depreciation expense-business-type activities	<u>\$ 891,931</u>

Commitments for ongoing construction in progress at June 30, 2015 are \$146,017,726.

## 7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2015 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts payable	\$ 55,362,293	\$ 861,368	\$ 56,223,661
Retainage payable	5,146,735		5,146,735
Accrued salaries and withholdings	35,646,109		35,646,109
Claims payable	19,028,247		19,028,247
Due to employees-advance premium withholding	4,409,052		4,409,052
Total accounts payable and other current liabilities	<u>\$ 119,592,436</u>	<u>\$ 861,368</u>	<u>\$ 120,453,804</u>

## 8. Leases

### a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$6,200,000 in 2015. Commitments for fiscal year 2016 under lease agreements are approximately \$6,500,000. Lease agreements typically provide for automatic yearly termination on July 1 of any year in which funds to meet rental payments are not appropriated.



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**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 2020. Lease payments, including interest, in fiscal year 2015 were \$13,094,047 for the General Fund, \$15,929,014 for the Capital Projects Fund and \$237,576 for the Enterprise Funds.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 61,533,689	\$ 241,670
Less: accumulated depreciation	(12,878,659)	(70,487)
Total	<u>\$ 48,655,030</u>	<u>\$ 171,183</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2016	\$ 24,880,376	\$ 553,417
2017	20,027,953	168,613
2018	14,158,490	168,613
2019	5,079,978	125,856
2020	<u>2,458,747</u>	
Total minimum lease payments	66,605,544	1,016,500
Less : Amount representing interest	(2,381,317)	(42,861)
Present value of future minimum lease payments	<u>\$ 64,224,227</u>	<u>\$ 973,638</u>

\$32,405,915 of outstanding capital lease obligations for governmental activities at June 30, 2015, was used to acquire capital assets.

**9. Long-Term Liabilities**

Long-term liability activities during 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 50,009,122	\$ 42,453,727	\$ 28,238,622	\$ 64,224,227	\$ 23,793,702
Compensated absences	122,070,267	21,787,023	8,953,798	134,903,492	8,846,352
Net pension liability	437,758,716		153,766,392 *	283,992,324	
Net OPEB obligation	492,614,820	50,571,237	29,825,996	513,360,061	
Total	<u>\$ 1,102,452,925</u>	<u>\$ 114,811,987</u>	<u>\$ 220,784,808</u>	<u>\$ 996,480,104</u>	<u>\$ 32,640,054</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Capital leases	\$ 792,703	\$ 394,532	\$ 213,597	\$ 973,638	\$ 526,003
Compensated absences	2,307,739	264,506	37,651	2,534,594	62,337
Net OPEB obligation	7,146,588	684,623	383,662	7,447,549	
Total	<u>\$ 10,247,030</u>	<u>\$ 1,343,661</u>	<u>\$ 634,910</u>	<u>\$ 10,955,781</u>	<u>\$ 588,340</u>

\*Net activities

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

**10. Risk Management**

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

The active employees' health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The postemployment health benefits plan is financed through a fiduciary fund, the OPEB Plan Trust. The funds provide plan coverage for active and retired employees under contracts with several insurance companies and health maintenance organizations (HMO's). MCPS funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 13). Claims payable of \$19,028,247 and \$5,927,668 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2015, 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 2014 and 2015 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
<b>2015</b>				
Internal Service Fund	\$ 20,252,056	\$ 242,256,486	\$ (243,480,295)	\$ 19,028,247
Fiduciary Funds	6,599,723	78,957,439	(79,629,494)	5,927,668
Total	<u>\$ 26,851,779</u>	<u>\$ 321,213,925</u>	<u>\$ (323,109,789)</u>	<u>\$ 24,955,915</u>
<b>2014</b>				
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>

**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

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Pension System, administered by MCPS.

**A. State Plans**

**General Information about the Plan**

*Plan Description.* The eligible MCPS employees are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, MCPS employees are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us>.

*Benefit Provided.* The System provides retirement allowances and other benefits to teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

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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.

*Contribution.* MCPS and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System are required to contribute 7% of salary annually. Members of the Teachers' Retirement System are required to contribute 5-7% of salary annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of the MCPS annual required contribution to the Teachers' Retirement and Pension Systems on behalf of MCPS. The State's contributions on behalf of MCPS for the year ended June 30, 2015 was \$154,453,783. The fiscal year 2015 contributions made by the State on behalf of MCPS have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

Beginning in FY 2013, the State of Maryland General Assembly passed a bill that required the Boards of Education in Maryland to begin paying the normal cost for their teachers into the Teachers' Retirement and Pension Systems. The legislation structured this as a four year phase in to the full normal cost so that 50% was paid in FY 2013. Full normal cost will be paid in FY 2017 and each year thereafter. The MCPS required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2015 was \$44,151,153.

The MCPS contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2015, was 6.72% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MCPS made its share of the required contributions during the year ended June 30, 2015 of \$561,723.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Employees' Retirement and Pension Systems

At June 30, 2015, MCPS reported a liability of \$4,074,064 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MCPS proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2014. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2014, the MCPS proportionate share was 0.022956701223746000000%.

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For the year ended June 30, 2015, MCPS recognized pension expense of \$364,696. At June 30, 2015, MCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 168,522	\$ -
Net difference between projected and actual earnings on pension plan investments	-	445,933
Board contributions subsequent to the measurement date	561,723	-
Total	\$ 730,245	\$ 445,933

The \$561,723 reported as deferred outflows of resources related to pensions resulting from MCPS contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (69,353)
2017	(69,353)
2018	(69,353)
2019	(69,352)

Teachers' Retirement and Pension Systems

At June 30, 2015, MCPS did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for MCPS, therefore, MCPS is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by MCPS as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with MCPS were as follows:

State's proportionate share of the net pension liability associated with MCPS	\$ 1,115,879,101
MCPS proportionate share of the net pension liability	-
Total	\$ 1,115,879,101

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2015, MCPS recognized pension expense of \$154,453,783 and revenue of \$154,453,783 for support provided by the State. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, MCPS did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

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*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90% general, 3.4% wage
Salary increases	3.40% to 11.9%, including inflation
Investment rate of return	7.65%
Mortality rates	RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2006-2010, which was completed during FY 2011. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2012. The System's Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate.* The single discount rate used to measure the total pension liability was 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer

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contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability.* Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents MCPS's net pension liability, calculated using a single discount rate of 7.65%, as well as what MCPS's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Board's proportionate share of the net pension liability	\$5,871,239	\$4,074,064	\$2,568,703

Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, MCPS did not record a net pension liability related to the Teachers' Retirement and Pension Systems.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

**B. MCPS Plan**

**General Information about the Pension 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 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. Pension system cover employees hired after January 1, 1980. 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. Members in the retirement system may elect to participate in the pension system, in which case their excess contributions are refunded.

*Benefits provided.* The 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. 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.

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At July 1, 2014 the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	12,370
Terminated plan members entitled to benefits but not yet receiving them	4,528
Active plan members	<u>22,331</u>
Total	<u>39,229</u>

*Contributions.* 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. The MCPS contribution rate as a percentage of annual covered payroll for FY 2015 is 5.73%.

**Net Pension Liability**

MCPS net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. It was as follows:

Total pension liability	\$1,639,651,974
Plan fiduciary net position	<u>(1,359,733,714)</u>
Net pension liability	<u>\$ 279,918,260</u>

Plan fiduciary net position as a percentage of the total pension liability 82.93%

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	Service based 3.25-9%
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	Post decrement-RP2000 White Collar Mortality table, sex distinct, projected to the year 2022 Pre-decrement – 70% of RP2000 White Collar Mortality table, Sex distinct, projected to the year 2022



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The actuarial assumption used in the June 30, 2014 valuation was based on the results of prior actuarial experience study effective on July 1, 2010.

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>Target Allocation</u>	<u>Long-Term Expected Real Rate of return</u>
Fixed income	25%	4.7%
Equities	50%	8.4%
Real estate	8%	8.0%
Alternatives	17%	6.3%
Short-term investment	0%	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.

**Changes in the Net Pension Liability**

	Increase (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balances at 6/30/2013</b>	\$ 1,589,783,468	\$ 1,156,546,505	\$ 433,236,963
<b>Changes for the year</b>			
Service cost	53,238,295		53,238,295
Interest	120,371,102		120,371,102
Differences between expected and actual experience	(47,593,419)		(47,593,419)
Contributions - employer		80,544,815	(80,544,815)
Contributions - employee		21,578,300	(21,578,300)
Net Investment Income		179,375,231	(179,375,231)
Benefit payments, including refunds of employee contributions	(76,147,472)	(76,147,472)	
Administrative expense		(2,163,665)	2,163,665
<b>Net Changes</b>	<b>49,868,506</b>	<b>203,187,209</b>	<b>(153,318,703)</b>
<b>Balance as 6/30/2014</b>	<b>\$ 1,639,651,974</b>	<b>\$ 1,359,733,714</b>	<b>\$ 279,918,260</b>

*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:

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	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$480,316,637	\$279,918,260	\$109,950,375

*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.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the *Statement of Fiduciary Net Position Fiduciary Funds*.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, MCPS recognized pension expense of \$44,295,412. At June 30, 2015, MCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience measurement date-6/30/2014	\$ -	\$43,676,265
Net difference between projected and actual earnings on pension plan investments measurement date-6/30/2014		73,393,035
Board contributions subsequent to the measurement date	83,498,517	
Total	\$ 83,498,517	\$ 117,069,300

\$83,498,517 reported as deferred outflows of resources related to pensions resulting from MCPS contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2016	\$ (22,265,413)
2017	(22,265,413)
2018	(22,265,413)
2019	(22,265,413)
2020	(3,917,154)
Thereafter	(24,090,494)

**12. Postemployment Healthcare Benefits**

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

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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, 2013, the date of the latest actuarial valuation:

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

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

*Funding Policy:* The Board of Education has the authority to establish and amend contribution requirements of the plan members and MCPS. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and MCPS contributes 64 percent toward the current cost of healthcare benefits. 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 2015, plan members and beneficiaries receiving benefits contributed \$31,278,959 (approximately 22.7 percent of current contributions). MCPS and other contributing entities' contributed \$106,720,245 (approximately 77.3 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

Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust. In 2015, the Montgomery County Council contributed \$85,507,000 and recorded as on behalf of MCPS employees.

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, (AAL) was \$1,265.8 million and the unfunded AAL (UAAL) was \$1,127.3 million. Actuarial plan assets were \$138.5 million and the funded ratio was 4 percent. The annual covered payroll of active employees covered by the plan was \$1,358.3 million, and the ratio of the UAAL to covered payroll was 83 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.

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Annual required contribution	\$	120,494,000
Interest on net OPEB obligation		37,482,106
Adjustment to annual required Contribution		<u>(30,209,659)</u>
Annual OPEB cost		127,766,447
Contributions made		<u>106,720,245</u>
Increase in net OPEB obligation		21,046,202
Net OPEB obligation – beginning of year		<u>499,761,408</u>
Net OPEB obligation – end of year	\$	<u><u>520,807,610</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
2013	167,139,220	67.2	451,523,888
2014	183,756,502	73.7	499,761,408
2015	127,766,477	83.5	520,807,610

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

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

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2013
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%

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**13. Trust Plans Condensed Financial Statements**

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

**CONDENSED STATEMENT OF FIDUCIARY NET POSITION**

	Retirement and Pension System	OPEB Plan Trust	Total
<b>Assets:</b>			
Current assets	\$ 1,409,645,873	\$ 292,533,241	\$ 1,702,179,114
Total assets	<u>1,409,645,873</u>	<u>292,533,241</u>	<u>1,702,179,114</u>
<b>Liabilities:</b>			
Total liabilities	<u>1,673,844</u>	<u>6,318,841</u>	<u>7,992,685</u>
<b>Net Position:</b>			
Held in trust for pension/ Other postemployment benefits	\$ <u>1,407,972,029</u>	\$ <u>286,214,400</u>	\$ <u>1,694,186,429</u>

**CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	Retirement and Pension System	OPEB Plan Trust	Total
<b>Additions:</b>			
Contributions	\$ 105,985,238	\$ 137,999,204	\$ 243,984,442
Net investment earnings	26,441,619	689,384	27,131,003
Total additions	<u>132,426,857</u>	<u>138,688,588</u>	<u>271,115,445</u>
<b>Deductions:</b>			
Benefit and premium payments	81,971,251	93,838,225	175,809,476
Administrative expenses	2,217,291	297,225	2,514,516
Total deductions	<u>84,188,542</u>	<u>94,135,450</u>	<u>178,323,992</u>
Change in net position	48,238,315	44,553,138	92,791,453
Net position - beginning	1,359,733,714	241,661,262	1,601,394,976
Net position - ending	\$ <u>1,407,972,029</u>	\$ <u>286,214,400</u>	\$ <u>1,694,186,429</u>

**14. Contingencies**

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

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JUNE 30, 2015

*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.

**15. Change in Accounting Principles/Restatement**

MCPS implemented Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No.27), and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measure Date--an amendment of GASB Statement No. 68*, during the fiscal year ending June 30, 2015. The implementation of the statement required MCPS to record beginning net pension liability and effects on net position of contribution made by MCPS during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$359,296,844.

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# **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, 2015

	Measurement Date 2014
Total pension Liability	
Service Cost	53,238,295
Interest	120,371,102
Benefit Changes	
Different between Actual & Expected if any	(47,593,419)
Assumption Changes	
Benefit Payments	(76,147,472)
Refund	
Net Change in Total Pension Liability	49,868,506
Total Pension Liability -Beginning	1,589,783,468
Total Pension Liability -Ending (a)	\$ 1,639,651,974
 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)	279,918,260
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.9%
Covered Employee Payroll	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Employee Payroll	20.13%
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  
 YEAR ENDED JUNE 30, 2015

Measurement Date						
FY Ending	Total Pension	Plan Net	Net Pension	Plan Net Postion as a % of Total pension	Covered	Net Pension Liability as a % of
30-Jun	Liability	Position	Liability	Liability	Payroll	Covered Payroll
2014	1,639,651,974	1,359,733,714	279,918,260	82.93%	1,390,868,330	20.13%

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  
 YEAR ENDED JUNE 30, 2015

Measurement Date

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 79,016,414	\$ 80,544,815	\$ (1,528,401)	\$ 1,390,868,330	5.79%

**Notes to Schedule:**

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, 1 year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Measurement date	30-Jun
Actuarial cost method	Entry Age Nomal
Amortization method	Plan changes are immediate, assets are over a 5 year closed period and liability changes are over the average working lifetime of all participants
Asset valuation method	5 year smoothing
Investment rate of return	7.50%
Projected Salary increases	Service based 3.25-9%
Cost of living adjustments	1.95% - 3%
Inflation	3%
Retirement age	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rates	Post decrement-RP2000 White Collar Mortality table, sex distinct, projected to the year 2022 Pre-decrement – 70% of RP2000 White Collar Mortality table, Sex distinct, projected to the year 2022

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 INVESTMENT RETURNS  
 YEAR ENDED JUNE 30, 2015

Fiscal year ending June 30	Measurement Date	
	2013	2014
Actual money weighted rate of return, net of investment expense	12.95%	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  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
 YEAR ENDED JUNE 30, 2015

<u>Employees' Retirement and Pension Systems</u>	Measurement Date 2014
District's proportion of the net pension liability (asset)	0.022956701223746000000%
District's proportionate share of the net pension liability (asset)	\$ 4,074,064
District's covered-employee payroll	1,390,868,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.29%
Plan fiduciary net position as of a percentage of the total pension liability	71.87%
<u>Teachers' Retirement and Pension Systems</u>	
District's proportion of the net pension liability (asset)	0.022956701223746000000%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	1,115,879,101
Total	<u>\$ 1,115,879,101</u>
District's covered-employee payroll	\$ 1,390,868,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	71.87%

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 DISTRICT CONTRIBUTION  
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
 YEAR ENDED JUNE 30, 2015

	Measurement Date									
<u>Employees' Retirement and Pension Systems</u>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contractually required contribution	\$ 397,990	\$ 509,499	\$ 485,237	\$ 462,130	\$ 440,124	\$ 419,166	\$ 399,206	\$ 380,196	\$ 362,091	\$ 344,849
Contributions in relation to the contractually required contribution	534,974	509,499	485,237	462,130	440,124	419,166	399,206	380,196	362,091	344,849
Contribution deficiency (excess)	(136,984)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,390,868,330	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092	\$ 1,327,592,509	\$ 1,215,302,201	\$ 1,169,275,532	\$ 1,080,319,378
Contributions as a percentage of covered employee payroll	0.04%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
 <u>Teachers' Retirement and Pension Systems</u>										
Contractually required contribution	\$ 148,989,559	\$ 131,705,430	\$ 173,954,985	\$ 169,926,025	\$ 149,981,157	\$ 124,897,387	\$ 115,507,019	\$ 91,640,319	\$ 84,294,349	\$ 81,937,339
Contributions in relation to the contractually required contribution	148,989,559	131,705,430	173,954,985	169,926,025	149,981,157	124,897,387	115,507,019	91,640,319	84,294,349	81,937,339
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,390,868,330	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092	\$ 1,327,592,509	\$ 1,215,302,201	\$ 1,169,275,532	\$ 1,080,319,378
Contributions as a percentage of covered employee payroll	10.71%	9.70%	12.96%	13.01%	11.14%	9.24%	8.70%	7.54%	7.21%	7.58%

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, 2015

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
7/01/2013	138,518	1,265,790	1,127,272	10.9	1,358,291	83.0

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

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation
		MCPS	Other Contributing Entities	
2009	\$ 122,819	48.0%	2.1%	\$ 128,599
2010	131,690	30.8	3.5	217,751
2011	131,690	33.7	3.4	304,556
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
2015	120,494	11.7	72.4	520,808

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## **SUPPLEMENTARY DATA**

## **GOVERNMENTAL FUNDS**

June 30, 2015

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 263,796,250	\$ 268,796,250	173,162,271	\$ (95,633,979)
State of Maryland	43,194,097	44,805,748	33,799,955	(11,005,793)
Federal	419,608	2,351,751	2,266,294	(85,457)
Other sources	<u>369,300</u>	<u>4,169,300</u>	<u>142,898</u>	<u>(4,026,402)</u>
Total revenues	307,779,255	320,123,049	209,371,418	(110,751,631)
Expenditures and encumbrances:				
Capital outlay	<u>307,779,255</u>	<u>320,123,049</u>	<u>209,371,418</u>	<u>110,751,631</u>
Total expenditures and encumbrances	<u>307,779,255</u>	<u>320,123,049</u>	<u>209,371,418</u>	<u>110,751,631</u>
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to GAAP fund balance:				
2015 encumbrances outstanding			<u>-</u>	
Fund balance - GAAP basis			<u>\$ -</u>	

**MONTGOMERY COUNTY PUBLIC SCHOOL  
SCHEDULE OF CONSTRUCTION IN PROGRESS  
CAPITAL PROJECTS FUND  
June 30, 2015**

FMS Award	Project Name	Project Authorization	Expended to Jun 30, 2015	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	1,656,184	395,000	125,344	1,135,840
016532	Fire Safety Code Upgrades Local Funding	1,010,058	569,334	72,764	367,960
036510	Technology Modernization	16,164,177		46,253	16,117,924
056501	Restroom Renovations Local Funding	258,732	255,066		3,666
056504	Fields Road Elementary School Addition	9,257,200	9,257,200		-
076506	Building Modifications and Program Improvement	4,651,538	1,098,718	595,754	2,957,066
096501	Fairland Elementary School Local Funding	648,534	643,334	5,868	(668)
096505	Montgomery Knolls Elementary School Local	7,164	7,164	1,750	(1,750)
106500	County Water Quality Compliance	3,100			3,100
116503	Bradley Hills Elementary School Addition 2013	17,949,000	17,845,441	11,466	92,093
116504	Clarksburg Cluster ES (Clarksburg Village Site #1	28,218,000	26,188,427	115,678	1,913,895
116505	Clarksburg High School Local Funding	11,823,000	6,690,064	663,665	4,469,271
116506	Clarksburg/Damascus Middle School (New)	51,364,000	11,593,860	33,243,523	6,526,617
116507	Darnestown Elementary School Addition 2013	15,400,000	15,054,892	280,692	64,416
116508	Georgian Forest Elementary School Addition 201	10,620,000	10,423,369	59,375	137,256
116510	Viers Mill Elementary School Addition 2013	11,177,000	11,098,545	50,865	27,590
116511	Waters Landing ES Addition 2014	8,827,000	8,747,958	5,111	73,931
116512	Westbrook Elementary School Addition 2013	11,805,000	11,797,406	(10,796)	18,390
116513	Wyngate Elementary School Addition 2013	10,230,000	9,977,434	6,630	245,936
126500	WSSC Compliance 2012	598,797		288,317	310,480
136500	Arcola Elementary School Local Funding	3,841,000	3,491,422	5,607	343,971
136501	Bethesda Elementary School Local Funding	3,970,000	3,255,855	296,955	417,190
136502	Bethesda-Chevy Chase Middle School #2 2017	2,698,000	2,065,813	530,912	101,275
136504	North Chevy Chase Elementary School Local Fun	6,820,000	5,419,625	210,375	1,190,000
136505	Northwest Elementary School #8 (New) 2018	2,979,000		8,500	2,970,500
136506	Rosemary Hills Elementary School Local Funding	5,708,000	5,461,706	91,750	154,544
136507	Julius West Middle School Addition 2016	14,615,000	2,002,384	12,296,153	316,463
136508	Wood Acres Elementary School Addition 2016	8,264,000	2,371,765	5,560,602	331,633
136510	Modifications to Holding, Special Education & Alt	2,013,745		62,932	1,950,813
546034	Land Acquisition Local Funding	1,398,073			1,398,073
651503	North Bethesda MS Addition 2018	1,691,000	306,997	784,139	599,864
651504	Lucy V Barnsley ES Addition 2018	1,156,000	329,160	452,295	374,545
651505	Kensington-Parkwood ES Addition 2018	998,000	241,946	363,050	393,004
651510	Diamond Elementary School Addition 2018	804,000	224,444	328,704	250,852
651513	Bethesda-Chevy Chase HS Addition 2018	2,808,000	534,636	1,087,981	1,185,383
651515	Blair Ewing Center Improvements 2018	1,512,000			1,512,000
746032	Design and Construction Management Local Fun	1,020,333		32,241	988,092
766995	Roof Replacement	9,843,956	2,149,993	3,513,903	4,180,060
796222	Energy Conservation	3,116,625		890,317	2,226,308
796235	ADA Compliance Local Funding	8,925,910		62,638	8,863,272
816633	HVAC Replacement	44,789,526	24,552,259	11,729,724	8,507,543
816695	Asbestos Abatement Local Funding	267,035		3,102	263,933
846540	Relocatable Classrooms Local Funding	6,417,340		883,502	5,533,838
876544	Stadium Lighting	350,872			350,872
886550	School Gymnasiums Local Funding	4,896,234	4,819,558	112,183	(35,507)
896586	Planned Life Cycle Asset Replacement	3,659,159	2,690,914	612,737	355,508
916587	Rehab/Renovation of Closed Schools Local Fund	24,918,912	21,603,589	933,575	2,381,748
926557	School Security Systems	230,743		141,883	88,860
926575	Current Replacements/Modernizations	437,347,963	350,258,892	66,365,071	20,724,000
956547	Educational Technology (Global Access)	12			12
956550	Stormwater Management	895,924	66,348	392,571	437,005
966553	Facility Planning Local Funding	1,422,783		1,094,266	328,517
975051	Improved (Safe) Access to Schools Local Fundin	2,842,637	1,181,250	1,607,799	53,588
996552	Current Modernizations-Walter Johnson HS Turf (	335,000	330,088		4,912
996562	Carderock Springs ES Educational Foundation	154,648	154,648		-
<b>Total Open &amp; Interim Projects</b>		<b>825,732,514</b>	<b>575,156,504</b>	<b>146,017,726</b>	<b>104,558,284</b>
Capitalized land, equipment and furniture, and ite		(14,696,519)	(14,696,519)		
Interim closing of open projects **		(415,360,314)	(415,360,314)		
Residual building value transfer ***					
<b>Total construction in progress</b>		<b>\$ 395,675,681</b>	<b>\$ 145,099,671</b>	<b>\$ 146,017,726</b>	<b>\$ 104,558,284</b>

\* Appropriations for school modernizations are approved by the Montgomery County Council in the aggregate as one project, although MCPS separately accounts for each modernization. The school modernization project, in the aggregate, does not exceed the legally appropriated project authorization at June 30, 2015

\*\* 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, 2015

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
<b>Revenues:</b>					
Cable TV franchise fees	\$ -	\$ 1,595,624	\$ 1,595,624	\$ 1,595,624	\$ -
<b>Total revenues</b>	<u>-</u>	<u>1,595,624</u>	<u>1,595,624</u>	<u>1,595,624</u>	<u>-</u>
<b>Expenditures and encumbrances:</b>					
Community services	755	1,595,624	\$ 1,596,379	1,634,934	(38,555)
<b>Total expenditures and encumbrances</b>	<u>755</u>	<u>1,595,624</u>	<u>1,596,379</u>	<u>1,634,934</u>	<u>(38,555)</u>
Excess of expenditures and encumbrances over revenues	(755)		(755)	(39,310)	(38,555)
Fund balance - beginning	-		-	304,595	304,595
Fund balance - ending	<u>\$ (755)</u>	<u>\$ -</u>	<u>\$ (755)</u>	\$ 265,285	<u>\$ 266,040</u>
Reconciliation to GAAP fund balance: 2015 encumbrances outstanding				<u>132</u>	
Fund balance - GAAP basis				<u>\$ 265,417</u>	

## **NONMAJOR ENTERPRISE FUNDS**

June 30, 2015

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, 2015

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ 672,100	\$ 248,321	\$ 553,537	\$ 1,473,958
Accounts receivable	221,660	52,125	33,338	307,123
Due from other funds	23,545	27,633	166,575	217,753
Inventories			18,493	18,493
Total current assets	<u>917,305</u>	<u>328,079</u>	<u>771,943</u>	<u>2,017,327</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment			114,184	114,184
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>114,184</u>	<u>114,184</u>
Total assets	<u>917,305</u>	<u>328,079</u>	<u>886,127</u>	<u>2,131,511</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	135,285		21,972	157,257
Due to other funds			38,762	38,762
Unearned revenue			427,217	427,217
Capital leases - current	319,139		25,597	344,736
Total current liabilities	<u>454,424</u>	<u>-</u>	<u>513,548</u>	<u>967,972</u>
Noncurrent liabilities:				
Capital leases payable			79,628	79,628
Compensated absences	60,735	98,911	170,446	330,092
Total noncurrent liabilities	<u>60,735</u>	<u>98,911</u>	<u>250,074</u>	<u>409,720</u>
Total liabilities	<u>515,159</u>	<u>98,911</u>	<u>763,622</u>	<u>1,377,692</u>
<b>Net Position</b>				
Net investment in capital assets			114,184	114,184
Unrestricted	402,146	229,168	8,321	639,635
Total net position	<u>\$ 402,146</u>	<u>\$ 229,168</u>	<u>\$ 122,505</u>	<u>\$ 753,819</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, 2015

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 3,277,410	\$ 2,003,127	\$ 2,205,227	\$ 7,485,764
Total operating revenues	<u>3,277,410</u>	<u>2,003,127</u>	<u>2,205,227</u>	<u>7,485,764</u>
Operating expenses:				
Salaries and wages	409,962	1,230,613	1,199,554	2,840,129
Contracted services	54,282	42,912	585,462	682,656
Supplies and materials	32,027	447,866	347,589	827,482
Other charges	2,889,214	174,569	320,732	3,384,515
Depreciation			12,687	12,687
Total operating expenses	<u>3,385,485</u>	<u>1,895,960</u>	<u>2,466,024</u>	<u>7,747,469</u>
Operating income (loss)	<u>(108,075)</u>	<u>107,167</u>	<u>(260,797)</u>	<u>(261,705)</u>
Change in net position	(108,075)	107,167	(260,797)	(261,705)
Total net position - beginning	510,221	122,001	383,302	1,015,524
Total net position - ending	<u>\$ 402,146</u>	<u>\$ 229,168</u>	<u>\$ 122,505</u>	<u>\$ 753,819</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,187,828	\$ 2,071,013	\$ 2,194,569	\$ 7,453,410
Payments to suppliers	(84,579)	(490,778)	(931,923)	(1,507,280)
Payments to employees	(446,110)	(1,312,643)	(1,249,871)	(3,008,624)
Payments for assessments made by other funds	(140,506)	(84,983)	(228,688)	(454,177)
Payments for other operating expenses	(2,715,296)			(2,715,296)
Net cash provided (used) by operating activities	<u>(198,663)</u>	<u>182,609</u>	<u>(215,913)</u>	<u>(231,967)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital leases			132,742	132,742
Purchases of capital assets			(126,872)	(126,872)
Principal paid on capital leases	(3,142)		(27,517)	(30,659)
Net cash provided (used) by capital and related financing activities	<u>(3,142)</u>	<u>-</u>	<u>(21,647)</u>	<u>(24,789)</u>
Increase (Decrease) in cash and cash equivalents	(201,805)	182,609	(237,560)	(256,756)
Cash and cash equivalents - beginning	873,905	65,712	791,097	1,730,714
Cash and cash equivalents - ending	<u>\$ 672,100</u>	<u>\$ 248,321</u>	<u>\$ 553,537</u>	<u>\$ 1,473,958</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (108,075)	\$ 107,167	\$ (260,797)	\$ (261,705)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation			12,687	12,687
Effects of changes in operating assets and liabilities:				
Receivables	(89,582)	67,886	(29,088)	(50,784)
Accounts payable	1,730		12,886	14,616
Due to other funds			3,465	3,465
Inventories			(15,222)	(15,222)
Unearned revenue			18,430	18,430
Compensated absences	(2,736)	7,556	41,726	46,546
Net cash provided (used) by operating activities	<u>\$ (198,663)</u>	<u>\$ 182,609</u>	<u>\$ (215,913)</u>	<u>\$ (231,967)</u>

## **FIDUCIARY FUNDS**

June 30, 2015

### **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, 2015

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
<b>ASSETS</b>			
Investments:			
Global equities	\$ 696,844,850	\$ -	\$ 696,844,850
Fixed income securities	336,804,402		336,804,402
Real estate	114,593,598		114,593,598
Alternative investments	223,931,952		223,931,952
Short-term investments	37,471,071	23,945,862	61,416,933
Total investments	<u>1,409,645,873</u>	<u>23,945,862</u>	<u>1,433,591,735</u>
Accounts receivable		543,053	543,053
Due from County Consolidated Retiree Health Benefits Trust		265,757,671	265,757,671
Due from Internal Service Fund		2,286,655	2,286,655
Total assets	<u>1,409,645,873</u>	<u>292,533,241</u>	<u>1,702,179,114</u>
<b>LIABILITIES</b>			
Accounts payable		222,912	222,912
Claims payable		5,927,668	5,927,668
Due to general fund	1,673,844	168,261	1,842,105
Total liabilities	<u>1,673,844</u>	<u>6,318,841</u>	<u>7,992,685</u>
<b>NET POSITION</b>			
Held in trust for pension/other postemployment benefits	<u>\$ 1,407,972,029</u>	<u>\$ 286,214,400</u>	<u>\$ 1,694,186,429</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, 2015

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 83,498,517	99,591,632	\$ 183,090,149
Members	22,486,721	31,278,959	53,765,680
Federal government - Medicare Part D		7,128,613	7,128,613
Total contributions	<u>105,985,238</u>	<u>137,999,204</u>	<u>243,984,442</u>
Investment earnings:			
Net increase in fair value of investments	23,068,907		23,068,907
Interest and dividends	6,889,920	805,744	7,695,664
Total investment income	<u>29,958,827</u>	<u>805,744</u>	<u>30,764,571</u>
Less investment expense:			
Investment fees and other	(3,517,208)	(116,360)	(3,633,568)
Total investment expense	<u>(3,517,208)</u>	<u>(116,360)</u>	<u>(3,633,568)</u>
Net investment earnings	<u>26,441,619</u>	<u>689,384</u>	<u>27,131,003</u>
Total additions	<u>132,426,857</u>	<u>138,688,588</u>	<u>271,115,445</u>
<b>DEDUCTIONS</b>			
Benefits paid to plan members	81,971,251	78,957,439	160,928,690
Premiums paid to insurance companies		14,880,786	14,880,786
Administrative expenses	2,217,291	297,225	2,514,516
Total deductions	<u>84,188,542</u>	<u>94,135,450</u>	<u>178,323,992</u>
Change in net assets	48,238,315	44,553,138	92,791,453
Net position - beginning	<u>1,359,733,714</u>	<u>241,661,262</u>	<u>1,601,394,976</u>
Net position - ending	<u>\$ 1,407,972,029</u>	<u>\$ 286,214,400</u>	<u>\$ 1,694,186,429</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<b>Assets</b>				
Cash and investments	\$ 16,038,534	\$ 34,172,157	\$ 33,936,562	\$ 16,274,129
Accounts receivable	1,904,693	2,232,183	1,904,693	2,232,183
Inventories	<u>166,498</u>	<u>132,025</u>	<u>166,498</u>	<u>132,025</u>
<b>Total assets</b>	<b><u>\$ 18,109,725</u></b>	<b><u>\$ 36,536,365</u></b>	<b><u>\$ 36,007,753</u></b>	<b><u>\$ 18,638,337</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 1,572,689	\$ 1,555,773	\$ 1,572,689	\$ 1,555,773
Due to student groups	<u>16,537,036</u>	<u>34,980,592</u>	<u>34,435,064</u>	<u>17,082,564</u>
<b>Total liabilities</b>	<b><u>\$ 18,109,725</u></b>	<b><u>\$ 36,536,365</u></b>	<b><u>\$ 36,007,753</u></b>	<b><u>\$ 18,638,337</u></b>

## **STATISTICAL SECTION**

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	97-105
<b>Revenue Capacity</b> 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.	106-112
<b>Debt Capacity</b> 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.	113-117
<b>Demographic and Economic Information</b> 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.	118-119
<b>Operating Information</b> 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.	121-124



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

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Governmental Activities:</b>					
Net Investment in capital assets	\$ 1,509,775,923	\$ 1,635,087,567	\$ 1,765,406,793	\$ 1,901,060,879	\$ 1,972,419,863
Unrestricted	(96,127,805)	(85,448,126)	(151,573,901)	(202,703,251)	(303,827,808)
<b>Total governmental activities net position</b>	<b>\$ 1,413,648,118</b>	<b>\$ 1,549,639,441</b>	<b>\$ 1,613,832,892</b>	<b>\$ 1,698,357,628</b>	<b>\$ 1,668,592,055</b>
<b>Business-type activities:</b>					
Net Investment in capital assets	\$ 5,052,458	\$ 5,215,924	\$ 5,019,355	\$ 4,231,936	\$ 3,951,552
Unrestricted	(3,354,942)	(3,628,772)	(5,207,535)	(6,415,787)	(7,848,406)
<b>Total business-type activities net position</b>	<b>\$ 1,697,516</b>	<b>\$ 1,587,152</b>	<b>\$ (188,180)</b>	<b>\$ (2,183,851)</b>	<b>\$ (3,896,854)</b>
<b>Primary government:</b>					
Net Investment in capital assets	\$ 1,514,828,381	\$ 1,640,303,491	\$ 1,770,426,148	\$ 1,905,292,815	\$ 1,976,371,415
Unrestricted	(99,482,747)	(89,076,898)	(156,781,436)	(209,119,038)	(311,676,214)
<b>Total primary government net position</b>	<b>\$ 1,415,345,634</b>	<b>\$ 1,551,226,593</b>	<b>\$ 1,613,644,712</b>	<b>\$ 1,696,173,777</b>	<b>\$ 1,664,695,201</b>
<hr/>					
	2011	2012	2013	2014	2015
<b>Governmental Activities:</b>					
Net Investment in capital assets	\$ 2,073,974,398	\$ 2,234,805,426	\$ 2,377,418,879	\$ 2,467,557,443	\$ 2,545,451,592
Unrestricted	(367,057,361)	(446,600,594)	(487,587,959)	(574,669,171)	(961,916,071)
<b>Total governmental activities net position</b>	<b>\$ 1,706,917,037</b>	<b>\$ 1,788,204,832</b>	<b>\$ 1,889,830,920</b>	<b>\$ 1,892,888,272</b>	<b>\$ 1,583,535,521</b>
<b>Business-type activities:</b>					
Net Investment in capital assets	\$ 3,759,753	\$ 3,570,524	\$ 3,105,386	\$ 4,936,206	\$ 5,195,791
Unrestricted	(7,483,923)	(6,792,149)	(7,068,728)	(7,848,538)	(7,337,109)
<b>Total business-type activities net position</b>	<b>\$ (3,724,170)</b>	<b>\$ (3,221,625)</b>	<b>\$ (3,963,342)</b>	<b>\$ (2,912,332)</b>	<b>\$ (2,141,318)</b>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 2,077,734,151	\$ 2,238,375,950	\$ 2,380,524,265	\$ 2,472,493,649	\$ 2,550,647,383
Unrestricted	(374,541,284)	(453,392,743)	(494,656,687)	(582,517,709)	(969,253,180)
<b>Total primary government net position</b>	<b>\$ 1,703,192,867</b>	<b>\$ 1,784,983,207</b>	<b>\$ 1,885,867,578</b>	<b>\$ 1,889,975,940</b>	<b>\$ 1,581,394,203</b>

In fiscal year 2015, net position has been restated to conform with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,088,588,014	\$ 1,160,855,790	\$ 1,300,214,158	\$ 1,344,807,372
Special education	266,912,970	293,576,065	337,981,003	357,740,728
School administration	146,798,786	160,163,136	183,915,725	192,005,481
Student personnel services	13,416,179	13,944,662	15,923,429	16,709,007
Health services	42,357	53,540	39,372	31,477
Total instruction	<u>1,515,758,306</u>	<u>1,628,593,193</u>	<u>1,838,073,687</u>	<u>1,911,294,065</u>
Support services:				
Student transportation	96,768,183	100,930,995	117,962,721	122,633,059
Operation of plant	120,228,320	130,303,214	144,731,021	145,189,882
Maintenance of plant	48,872,594	55,832,785	56,469,713	57,587,517
Administration	54,688,573	63,053,976	59,171,446	63,094,864
Community services	2,110,374	2,176,910	2,470,942	2,168,062
Interest on capital leases	1,372,132	1,742,075	1,970,020	2,040,350
Total support services	<u>324,040,176</u>	<u>354,039,955</u>	<u>382,775,863</u>	<u>392,713,734</u>
Total government activities expenses	<u>1,839,798,482</u>	<u>1,982,633,148</u>	<u>2,220,849,550</u>	<u>2,304,007,799</u>
Business-type activities				
Food services	40,757,291	42,161,738	46,125,487	46,457,265
Adult education	1,516,881	(48,642)	-	-
Real estate management	2,102,497	2,926,351	2,290,554	2,489,426
Field trips	1,579,472	1,629,297	1,792,660	1,772,511
Entrepreneurial activities	1,266,811	1,376,930	1,619,087	1,444,433
Total business-type activities expenses	<u>47,222,952</u>	<u>48,045,674</u>	<u>51,827,788</u>	<u>52,163,635</u>
Total primary government expenses	<u>\$ 1,887,021,434</u>	<u>\$ 2,030,678,822</u>	<u>\$ 2,272,677,338</u>	<u>\$ 2,356,171,434</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services	5,164,549	5,249,818	5,332,403	5,033,518
Operating grants and contributions	81,343,855	83,451,485	84,349,531	77,829,710
Capital grants and contributions	41,802,954	52,273,814	48,116,266	48,858,868
Total governmental activities program revenues	<u>128,311,358</u>	<u>140,975,117</u>	<u>137,798,200</u>	<u>131,722,096</u>
Business-type activities				
Charges for services:				
Food services	21,314,053	22,008,945	22,219,798	22,191,730
Adult education	1,614,777	-	-	-
Real estate management	2,212,736	2,625,031	2,765,022	2,397,720
Field trips	1,491,097	1,543,101	1,722,208	1,578,741
Entrepreneurial activities	1,461,574	1,436,778	1,866,786	1,872,573
Operating grants and contributions	17,268,485	18,798,444	19,955,950	21,564,749
Capital grants and contributions	415,248	655,145	927,082	405,452
Total business-type activities program revenues	<u>45,777,970</u>	<u>47,067,444</u>	<u>49,456,846</u>	<u>50,010,965</u>
Total primary government program revenues	<u>\$ 174,089,328</u>	<u>\$ 188,042,561</u>	<u>\$ 187,255,046</u>	<u>\$ 181,733,061</u>
Net (expense)/revenue				
Governmental activities	(1,711,487,124)	(1,841,658,031)	(2,083,051,350)	(2,172,285,703)
Business-type activities	(1,444,982)	(978,230)	(2,370,942)	(2,152,670)
	<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Intergovernmental:				
Montgomery County	1,457,150,730	1,507,402,033	\$ 1,631,686,296	\$ 1,656,384,034
State of Maryland	411,828,686	468,650,022	510,142,429	597,009,068
Federal government	1,027,578	539,841	4,015,914	2,728,591
Investment Earnings	632,532	929,696	1,378,734	684,245
Other revenue	-	-	-	-
Transfers	35,216	127,762	21,428	4,501
Total government activities	<u>1,870,674,742</u>	<u>1,977,649,354</u>	<u>2,147,244,801</u>	<u>2,256,810,439</u>
Business-type activities				
Investment Earnings	751,031	995,628	617,038	161,500
Transfers	(35,216)	(127,762)	(21,428)	(4,501)
Total business-type activities	<u>715,815</u>	<u>867,866</u>	<u>595,610</u>	<u>156,999</u>
Total primary government	<u>\$ 1,871,390,557</u>	<u>\$ 1,978,517,220</u>	<u>\$ 2,147,840,411</u>	<u>\$ 2,256,967,438</u>
<b>Change in Net Position</b>				
Governmental activities	159,187,618	135,991,323	64,193,451	84,524,736
Business-type activities	(729,167)	(110,364)	(1,775,332)	(1,995,671)
Total primary government	<u>\$ 158,458,451</u>	<u>\$ 135,880,959</u>	<u>\$ 62,418,119</u>	<u>\$ 82,529,065</u>

In fiscal year 2015, net position has been restated to conform with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

	2010	2011	2012	2013	2014	2015
\$	1,382,022,729	\$ 1,395,636,699	\$ 1,401,069,607	\$ 1,425,776,788	\$ 1,510,082,837	\$ 1,507,192,601
	382,151,880	381,185,135	392,862,396	398,480,390	436,204,642	433,278,196
	195,915,953	198,448,243	202,692,468	204,795,867	210,172,216	203,472,513
	16,590,455	15,726,065	16,251,838	15,992,374	16,496,795	16,623,187
	40,091	17,919	17,911	20,074	17,336	1,594
	<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>	<u>2,160,568,091</u>
	125,139,197	126,428,398	129,115,379	129,890,569	136,415,463	134,999,834
	153,349,143	149,740,270	147,289,980	150,099,667	158,947,644	169,601,304
	59,180,621	60,799,687	64,129,559	69,624,065	76,505,617	69,525,061
	60,891,077	58,701,766	57,291,531	58,481,042	59,544,537	64,351,553
	2,291,223	2,129,034	2,090,179	2,548,923	3,103,601	3,168,196
	1,750,321	1,197,169	897,345	801,273	745,756	784,439
	<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>442,430,387</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>	<u>2,602,998,478</u>
	45,687,584	48,218,118	49,720,564	51,249,507	52,926,067	54,353,613
	-	-	-	-	-	-
	2,591,862	3,055,284	3,220,047	3,039,558	2,845,571	3,385,485
	1,697,423	1,751,109	1,770,547	1,664,949	1,803,944	1,895,960
	<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>2,466,024</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>62,101,082</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>	<u>2,665,099,560</u>
	4,616,997	4,111,198	3,820,871	3,871,684	3,848,232	3,804,324
	126,099,052	112,581,279	83,474,771	77,994,243	79,196,930	80,147,449
	<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>78,396,597</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>	<u>162,348,370</u>
	18,621,337	18,577,749	19,252,693	17,907,925	16,631,652	16,303,287
	-	-	-	-	-	-
	2,667,604	2,812,240	2,892,122	3,026,997	2,744,862	3,277,410
	1,543,871	1,671,121	1,778,378	1,735,962	1,786,478	2,003,127
	1,849,158	3,633,389	2,186,618	2,235,250	1,974,638	2,205,227
	24,871,047	27,800,835	30,590,480	32,844,833	35,934,919	38,684,559
	641,790	696,950	464,308	30,898	1,877,408	381,764
	<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>62,855,374</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>	<u>225,203,744</u>
	(2,204,349,365)	(2,219,059,622)	(2,267,024,582)	(2,307,000,629)	(2,465,503,778)	(2,440,650,108)
	<u>(1,783,504)</u>	<u>136,501</u>	<u>469,653</u>	<u>(776,326)</u>	<u>1,018,193</u>	<u>754,292</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>	<u>(2,439,895,816)</u>
\$	1,550,665,251	\$ 1,553,166,556	\$ 1,581,675,500	\$ 1,633,828,866	\$ 1,672,780,820	\$ 1,672,029,373
	616,478,426	668,581,752	761,695,928	771,174,249	792,450,552	810,716,731
	6,454,228	35,268,390	4,414,871	2,758,250	1,930,243	7,387,393
	985,888	367,906	526,078	865,352	1,399,515	460,704
	-	-	-	-	-	-
	<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>	<u>2,490,594,201</u>
	70,501	36,183	32,892	34,609	32,817	16,722
	-	-	-	-	-	-
	<u>70,501</u>	<u>36,183</u>	<u>32,892</u>	<u>34,609</u>	<u>32,817</u>	<u>16,722</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>	<u>2,490,610,923</u>
	(29,765,572)	38,324,982	81,287,795	101,626,088	3,057,352	49,944,093
	<u>(1,713,003)</u>	<u>172,684</u>	<u>502,545</u>	<u>(741,717)</u>	<u>1,051,010</u>	<u>771,014</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>	<u>\$ 50,715,107</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Nonspendable	\$ 7,758,899	\$ 6,663,737	\$ 6,870,750	\$ 6,289,918	\$ 7,221,461
Assigned	14,230,646	10,577,103	5,701,090	6,183,758	6,104,012
Unassigned	(3,047,043)	4,879,365	16,389,504	44,346,530	206,026
<b>Total general fund</b>	<b>\$ 18,942,502</b>	<b>\$ 22,120,205</b>	<b>\$ 28,961,344</b>	<b>\$ 56,820,206</b>	<b>\$ 13,531,499</b>
<b>All other governmental funds:</b>					
Restricted - Special revenue fund	\$ 94,711	\$ 888,399	\$ 136,374	\$ 245,077	\$ 265,873
Committed - Capital projects fund	(13,472,262)	(14,392,596)	(13,796,508)	(13,858,371)	-
<b>Total all other governmental funds</b>	<b>\$ (13,377,551)</b>	<b>\$ (13,504,197)</b>	<b>\$ (13,660,134)</b>	<b>\$ (13,613,294)</b>	<b>\$ 265,873</b>
	2011	2012	2013	2014	2015
<b>General Fund:</b>					
Nonspendable	\$ 6,567,714	\$ 7,310,053	\$ 7,745,654	\$ 7,952,232	\$ 7,456,908
Assigned	6,370,994	7,069,165	5,478,166	2,510,534	2,758,823
Unassigned	16,999,947	28,660,135	36,068,895	25,709,467	24,048,758
<b>Total general fund</b>	<b>\$ 29,938,655</b>	<b>\$ 43,039,353</b>	<b>\$ 49,292,715</b>	<b>\$ 36,172,233</b>	<b>\$ 34,264,489</b>
<b>All other governmental funds:</b>					
Restricted - Special revenue fund	\$ 279,707	\$ 287,268	\$ 365,128	\$ 304,595	\$ 265,417
Committed - Capital projects fund	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 279,707</b>	<b>\$ 287,268</b>	<b>\$ 365,128</b>	<b>\$ 304,595</b>	<b>\$ 265,417</b>

Information for fiscal years 2006 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)

	2006	2007	2008	2009
<b>Revenues</b>				
Intergovernmental:				
Montgomery County	\$ 1,498,345,349	\$ 1,558,647,046	\$ 1,633,111,352	\$ 1,704,483,481
State of Maryland	417,013,817	474,951,016	561,788,026	602,257,843
Federal Government	74,573,378	75,177,789	81,098,923	73,709,427
Other	8,999,000	9,547,103	9,026,435	8,081,214
Total Revenue	<u>1,998,931,544</u>	<u>2,118,322,954</u>	<u>2,285,024,736</u>	<u>2,388,531,965</u>
<b>Expenditures</b>				
Current:				
Administration	36,625,851	43,163,115	40,223,462	41,116,832
Mid-level administration	109,442,018	118,650,653	128,825,484	133,558,653
Instructional salaries and wages	719,934,184	760,940,050	801,621,226	835,121,087
Instructional textbooks and supplies	33,245,147	36,680,260	30,676,046	27,836,308
Other instructional costs	16,855,159	18,687,106	17,748,901	13,416,424
Special education	207,149,010	227,023,151	245,993,338	259,846,857
Student personnel services	9,936,670	10,264,691	11,051,597	11,544,552
Health services	36,530	44,821	32,162	31,125
Student transportation	79,509,617	81,298,925	92,544,044	87,139,938
Operation of plant	92,411,740	102,598,137	112,699,200	113,847,318
Maintenance of plant	28,718,901	30,815,334	31,498,027	34,797,983
Fixed charges	419,075,926	463,825,658	531,185,474	557,052,644
Community services	1,731,259	1,750,520	1,902,912	1,662,113
Debt service:				
Capital lease principal	22,597,421	23,997,477	23,510,181	24,465,455
Capital lease interest	1,372,132	1,742,075	1,970,020	2,040,350
Capital outlay	244,402,835	218,839,987	234,409,417	239,036,321
Total expenditures	<u>2,023,044,400</u>	<u>2,140,321,960</u>	<u>2,305,891,491</u>	<u>2,382,513,960</u>
Excess (deficiency) of Revenues over expenditures	(24,112,856)	(21,999,006)	(20,866,755)	6,018,005
<b>Other financing sources</b>				
Capital lease financing	25,693,744	24,922,301	27,530,529	21,883,195
Technology loans from Montgomery County				
Transfers in	35,216	127,762	21,428	4,501
Transfers out				
Total other financing sources	<u>25,728,960</u>	<u>25,050,063</u>	<u>27,551,957</u>	<u>21,887,696</u>
Net change in fund balances	<u>\$ 1,616,104</u>	<u>\$ 3,051,057</u>	<u>\$ 6,685,202</u>	<u>\$ 27,905,701</u>
Debt service as a percentage of noncapital expenditures	1.4%	1.4%	1.2%	1.3%

	2010	2011	2012	2013	2014	2015
\$	1,593,469,961	\$ 1,598,298,058	\$ 1,634,325,263	\$ 1,697,311,813	\$ 1,722,421,710	\$ 1,746,734,700
	619,385,100	672,165,098	765,912,232	776,187,259	802,146,773	818,487,290
	127,230,073	146,479,166	88,309,979	77,668,057	79,111,667	81,162,630
	8,107,202	6,936,945	6,448,515	6,501,793	7,613,644	6,557,953
	<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>	<u>2,652,942,573</u>
	39,543,392	36,954,635	35,931,627	38,361,432	37,180,315	43,121,059
	133,865,561	135,139,216	132,955,672	135,537,267	136,161,260	136,742,143
	851,338,027	824,315,364	806,181,103	831,267,986	862,096,690	887,923,350
	26,674,306	21,939,573	24,407,914	24,850,483	23,239,502	23,110,188
	11,456,405	11,571,972	13,588,680	13,409,988	13,676,632	10,131,255
	273,368,914	271,395,047	270,775,788	275,623,730	291,929,538	298,528,876
	11,289,494	10,680,737	10,649,399	10,572,269	10,682,855	11,185,874
	38,695	16,267	16,908	18,994	16,388	1,594
	87,252,913	94,135,828	95,559,434	95,911,020	101,036,031	102,233,482
	115,639,206	113,952,839	111,067,453	112,560,889	118,604,859	127,576,145
	34,612,073	33,013,662	31,575,617	33,286,341	33,947,985	31,557,851
	596,364,990	636,600,510	666,817,831	705,727,831	758,138,841	759,060,741
	1,756,954	1,608,047	1,519,629	1,888,449	2,281,607	2,436,418
	20,178,442	19,024,733	18,844,888	19,394,211	21,691,477	28,238,622
	1,750,321	1,197,169	897,345	801,273	745,756	784,439
	178,597,204	213,558,453	286,212,343	280,935,624	237,654,916	234,711,185
	<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>	<u>2,697,343,222</u>
	(35,534,561)	(1,224,785)	(12,005,642)	(22,478,865)	(37,790,858)	(44,400,649)
	6,125,021	17,645,775	25,113,901	28,810,087	24,609,843	42,453,727
	<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>42,453,727</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>	<u>\$ (1,946,922)</u>
	1.0%	0.9%	0.9%	0.9%	0.9%	1.2%

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, 2014 \*

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Operating revenues:	
Contributions by other agencies	\$ 48,441,570
Contributions by the Board of Education	<u>16,821,680</u>
Total operating revenues	<u>65,263,250</u>
Operating expenses:	
Self-insurance losses, net of recoveries	38,912,882
Other costs at risk	6,156,273
Commercial insurance	4,156,172
Other operating expenses	<u>3,864,321</u>
Total operating expenses	<u>53,089,648</u>
Operating gain(loss)	<u>12,173,602</u>
Nonoperating revenues :	
Interest on investments	88,614
Other revenue	<u>656,087</u>
Total nonoperating revenues	<u>744,701</u>
Change in net assets	12,918,303
Total net assets - beginning of year	<u>(16,421,065)</u>
Total net assets (deficit) - end of year	<u>\$ (3,502,762)</u>

\* Date of the most current available information.

Source: Montgomery County FY 2014 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)
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
2015	64,224,227	973,638	65,197,865	0.08%	64

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 118.

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
2006	1,032,231,333	(2,250,229)	1,029,981,104	1,031,967,800	99.97	(3,863,948)	1,028,103,852	99.82 %
2007	1,087,613,905	(1,759,393)	1,085,854,512	1,081,566,118	99.44	(868,132)	1,080,697,986	99.53
2008	1,137,590,824	(3,422,814)	1,134,168,010	1,132,548,519	99.56	(2,861,232)	1,129,687,287	99.60
2009	1,282,437,423	1,476,118	1,283,913,541	1,278,337,019	99.68	755,080	1,279,092,099	99.62
2010	1,344,626,102	(5,351,261)	1,339,274,841	1,343,140,289	99.89	(17,035,124)	1,326,105,165	99.02
2011	1,350,416,973	(2,283,359)	1,348,133,614	1,349,698,631	99.95	(3,899,415)	1,345,799,216	99.83
2012	1,365,605,932	1,191,911	1,366,797,843	1,363,217,734	99.83	2,180,253	1,365,397,987	99.90
2013	1,390,542,228	(235,525)	1,390,306,703	1,384,563,178	99.57	3,686,593	1,388,249,771	99.85
2014	1,437,898,506	(1,677,720)	1,436,220,786	1,434,787,650	99.78	(1,617,248)	1,433,170,402	99.79
2015	1,447,816,313	-	1,447,816,313	1,442,602,468	99.64	-	1,442,602,465	99.64

NOTES:

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

(1) 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	
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
2015	127,929,975,330	138,452,354,253	35,726,782,876	38,665,349,433	163,656,758,206	177,117,703,686	0.995

Fiscal Year	Personal Property (2)					Total Direct Tax Rate (3)	Real and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value
	Business		Public Utility		Total		Assessed Value	Estimated Actual Value	
	Individuals	Corporations	Operating Property	Domestic Shares					
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
2015	42,008,150	2,075,584,320	1,181,901,740	355,639,000	3,655,133,210	2.477	167,311,891,416	180,772,836,896	92.55

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 Table 9-a 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)					Total County Direct Rate (4)	
	County		M-NCPPC (2)			County		M-NCPPC (2)				Prorata Tax Rate
	County	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
<b>Real Property:</b>												
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	
2015	.732	.136	.040	.001	.909	.023	.003	.017	.056	.085	.994	
<b>Personal Property:</b>												
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	
2015	1.830	.340	.100	.003	2.273	.058	.008	.043	.140	.200	2.473	

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 2015 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)
<b>Real Property:</b>												
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
2015	.317	.124	.240	.240	.024	.012	.030	.000	.000	.081	.182	.112
<b>Personal Property:</b>												
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
2015	.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 2015 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
<b>Real Property:</b>								
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
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
<b>Personal Property:</b>								
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	1.4500	.2000	.4500	.1000	1.0000	.8000
2014	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
<b>Real Property:</b>					
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
2015	.1360	.0900	.1672	.0800	.3000
<b>Personal Property:</b>					
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
2015	.6200	.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 FY2015 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
<b>Real Property:</b>										
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
2015	.050	.020	.000	.220	.085	.048	.040	.047	.052	.040
<b>Personal Property:</b>										
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
2015	.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 2015 CAFR

MONTGOMERY COUNTY, MARYLAND  
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

For the Fiscal Year Ended June 30, 2015				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 840,291,615	\$ 25,931,735	\$ 814,359,880	0.50 %
Federal Realty Investment Trust	457,777,107	455,381,667	2,395,440	0.27
Verizon Maryland Inc	403,670,743	46,038,233	357,632,510	0.24
Montgomery Mall LLC	361,099,693	359,049,933	2,049,760	0.22
Washington Metropolitan Area Transit Authority	347,692,200	347,692,200	-	0.21
Street Retail Inc.	266,755,357	266,755,357	-	0.16
Washington Gas Light Co.	259,010,920	-	259,010,920	0.15
Chevy Chase Land Co	225,743,666	225,743,666	-	0.13
Wheaton Plaza Reg Shopping Center	222,998,837	221,801,267	1,197,570	0.13
WP Project Developer LLC	214,089,411	214,089,411	-	0.13
<b>Total</b>	<b>\$ 3,599,129,549</b>	<b>\$ 2,162,483,469</b>	<b>\$ 1,436,646,080</b>	<b>2.15 %</b>
<b>Total Assessable Base</b>	<b>\$ 167,311,891,416</b>			<b>100.00 %</b>

For the Fiscal Year Ended June 30, 2006				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 725,549,880	\$ 6,582,100	\$ 718,967,780	0.63 %
Verizon	638,664,976	31,447,466	607,217,510	0.56
Montgomery Mall	272,112,660	271,420,100	692,560	0.24
Washington Gas Light Co.	222,128,000	-	222,128,000	0.19
Mirant Mid-Atlantic LLC	199,484,536	72,347,066	127,137,470	0.17
7501 Wisconsin Ave LLC	182,805,833	182,805,833	-	0.16
Bryant F. Foulger, Trustee	167,030,698	167,030,698	-	0.15
Wheaton Plaza Reg Shopping Center	165,827,404	165,301,244	526,160	0.15
Camalier, Anne D et al, Trustee	145,656,253	145,656,253	-	0.13
Democracy Associates	139,800,000	139,800,000	-	0.12
<b>Total</b>	<b>\$ 2,859,060,240</b>	<b>\$ 1,182,390,760</b>	<b>\$ 1,676,669,480</b>	<b>2.50 %</b>
<b>Total Assessable Base</b>	<b>\$ 114,360,878,346</b>			<b>100.00 %</b>

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			Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (1)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABS General Obligations			
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
2015	2,465,636,613	100,000,000	339,516,247	2,905,152,860	1.61	2,848

NOTES:

- (1) See Table 23 for personal income and population data, used in calculating these ratios.
- (2) Beginning in fiscal year 2013, the County changed its presentation of outstanding debt in the statistical section to include unamortized premiums, discounts, and deferred differences on refundings. Amounts presented prior to fiscal year 2013 are shown at gross amounts.

Source: Montgomery County FY2015 CAFR

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

	2006	2007	2008	2009
<b>Assessed Value</b>				
Real property (1,3)	\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472
Personal property (2)	3,831,629,230	3,948,949,550	3,970,547,370	3,920,171,020
Total Assessed Value	<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,492</u>
<b>Legal Debt Margin</b>				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (2)	\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488
For personal property at 15%	574,744,385	592,342,433	595,582,106	588,025,653
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>7,206,499,331</u>	<u>8,134,989,000</u>	<u>9,133,968,242</u>	<u>10,076,035,141</u>
Debt Applicable to Limit:				
General obligation bonds	1,393,888,054	1,512,675,607	1,366,758,054	1,496,561,371
Variable Rate Demand Obligation	100,000,000	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	300,000,000
Long-term notes payable	-	-	-	-
Total Debt Applicable to Limit	<u>1,593,888,054</u>	<u>1,762,675,607</u>	<u>1,766,758,054</u>	<u>1,896,561,371</u>
Legal Debt Margin	<u>\$ 5,612,611,277</u>	<u>\$ 6,372,313,393</u>	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>
Legal Debt Margin as a Percentage of Debt Limit	78%	78%	81%	81%

NOTES:

(1) See (1) on Table 8.

(2) See (3) on Table 8.

(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 2015 CAFR

	2010	2011	2012	2013	2014	2015
\$	167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848	159,891,865,334	163,656,758,206
	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508	3,655,133,210
	171,220,840,149	171,646,984,481	165,916,095,468	161,877,309,598	\$ 163,601,192,842	\$ 167,311,891,416
\$	10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920	\$ 9,819,405,492
	618,599,492	578,428,793	557,841,857	540,671,813	556,399,126	548,269,982
	10,644,410,104	10,645,876,345	10,289,670,842	10,037,041,663	10,149,911,046	10,367,675,474
	1,437,839,285	1,517,280,000	1,658,970,000	1,930,155,391	1,930,155,391	2,465,636,613
	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	339,827,520	339,516,247
	425,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
	-	-	-	-	-	-
	2,194,839,285	2,455,600,000	2,597,290,000	2,869,982,911	2,869,982,911	3,405,152,860
\$	8,449,570,819	\$ 8,190,276,345	7,692,380,842	7,167,058,752	\$ 7,279,928,135	\$ 6,962,522,614
	79%	77%	75%	71%	72%	67%

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
AS OF JUNE 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 362,300	100.00 %	\$ 362,300
Poolesville - bonds	2,297,978	100.00	2,297,978
Rockville - bonds	132,290,000	100.00	132,290,000
Certificates or notes	5,489,474	100.00	5,489,474
Somerset - bonds	1,540,000	100.00	1,540,000
Takoma Park:			
Bonds	2,343,500	100.00	2,343,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	64,224,227	100.00	64,224,227
MCC - capital leases	63,968,224	100.00	63,968,224
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	97,666,298	41.09	40,130,000
Advance land acquisition bonds	1,200,000	100.00	1,200,000
Development Districts (2):			
Kingsview Village Center - bonds	1,296,958	100.00	1,296,958
West Germantown - bonds	12,025,000	100.00	12,025,000
Total Overlapping Debt			327,317,661
Montgomery County direct debt (5)			3,712,336,512
Total Direct and Overlapping Debt			<u>\$ 4,039,654,173</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 FY2015 CAFR

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)  
YEAR ENDED JUNE 30, 2015\*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2015
General bonded indebtedness:					
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	0
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	0
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	62,464,240	17,959,995
Consolidated Public Improvement	4.2 - 5.0	5/1/2006	2007-16	50,000,000	5,000,000
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	14,960,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	0
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	31,038,800
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	52,299,310
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	0
Consolidated Public Improvement	2.00 - 5.0	7/26/2010	2011-22	80,500,000	53,666,668
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	65,175,000
Consolidated Public Improvement Refunding	2.00 - 5.0	8/11/2011	2012-22	106,469,440	89,593,280
Consolidated Public Improvement	2.00 - 5.3	10/24/2012	2013-32	150,000,000	135,000,000
Consolidated Public Improvement Refunding	2.50 - 5.0	10/24/2012	2013-16	2,896,640	1,309,440
Consolidated Public Improvement	3.00 - 5.0	11/26/2013	2014-34	83,300,000	79,135,000
Consolidated Public Improvement Refunding	5.0	11/26/2013	2023-24	8,794,995	8,794,995
Consolidated Public Improvement	4.00-5.0	11/19/2014	2015-35	200,575,000	200,575,000
Consolidated Public Improvement Refunding	5.0	11/19/2014	2016-28	146,015,100	146,015,100
Consolidated Public Improvement Refunding	5.0	3/26/2015	2018-21	30,371,880	30,371,880
Total				\$ 1,796,424,286	\$ 1,143,494,468

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, 2015

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)
2006	926,492	62,144,979	67,076	510,593	495,926	2.9	139,387
2007	931,694	64,365,237	69,084	509,769	496,401	2.6	137,798
2008	942,748	67,279,968	71,366	515,987	499,705	3.2	137,745
2009	959,013	65,858,231	68,673	522,421	494,565	5.3	137,763
2010	976,006	67,890,159	69,559	532,549	502,710	5.6	140,500
2011	991,645	71,081,967	71,681	536,636	508,528	5.2	143,309
2012	1,004,476	73,467,234	73,140	540,444	508,528	5.2	146,497
2013	1,016,677	73,958,785	72,746	542,029	515,153	5.0	149,018
2014	1,018,000	75,940,000	74,597	540,128	516,420	4.4	151,289
2015	1,020,000	793,000,000	77,745	544,313	544,313	4.0	154,230

NOTES:

- (1) Sources: Data for 2006-2013 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2014 and 2015 are estimated by from Montgomery Planning Department of Finance from Round 8.2 Cooperative Estimates and pertain to population in households.
- (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 2006-2013 were revised by BEA. Data for 2014 through 2015 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2006 - 2014. Data for 2015 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2014 to the first half of CY2015.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2006-2014 revised by BLS. Data for 2015 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2014 to the first half of CY2015.
- (6) The unemployment rates for 2006 through 2014 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2015 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2015.
- (7) Source: County Executive's Recommended FY16 Operating Budget, Office of Management and Budget, Montgomery County, page 5-16.

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

Employer	Fiscal Year 2015			Fiscal Year 2006		
	Employees(1)	Rank	Percentage of Total County Employment(2,3)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	28,800	1	6.32 %	39,000	1	8.50 %
Montgomery County Public Schools	25,703	2	5.64	20,132	2	4.39
U.S. Department of Defense	12,900	3	2.83	13,670	3	2.98
Montgomery County Government	11,112	4	2.44	8,536	4	1.86
U.S. Department of Commerce	5,400	5	1.19	6,678	6	1.46
Adventist Healthcare	4,800	6	1.05	6,951	5	1.52
Marriott International, Inc. (Headquarters)	4,600	7	1.01	3,500	10	0.76
Holy Cross Hospital of Silver Spring	3,900	8	0.86	*		-
Montgomery College	3,656	9	0.80	*		-
Lockheed Martin Corporation	3,000	10	0.66	3,900	9	0.85
Giant Food Corporation	*		-	4,900	7	1.07
Chevy Chase Bank	*		-	4,700	8	1.02
<b>Total</b>	<b>103,871</b>		<b>22.80 %</b>	<b>111,967</b>		<b>24.41 %</b>

NOTES:

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

(1) Employee numbers are based on DED's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly Census of Employment and Wages 2014.

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

(3) Total payroll employment in FY15 was 455,343.

Source: Montgomery County Department of Economic Development

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities:</b>										
Instruction:										
Total enrollment <sup>(1)</sup>	139,387	137,798	137,745	139,276	141,777	144,064	146,497	148,779	151,289	153,852
Regular students <sup>(1)</sup>	130,444	128,511	128,478	130,371	140,065	142,342	144,571	146,930	149,390	152,092
ESOL students <sup>(2)</sup>	13,200	14,718	15,961	16,685	17,664	17,900	18,650	19,200	22,088	23,386
Special education classroom students <sup>(2)</sup>	8,645	8,888	8,853	8,534	9,107	9,067	9,533	11,614	16,339	16,462
Cost per pupil (accrual basis) <sup>(5)</sup>	\$ 13,199	\$ 14,388	\$ 16,081	\$ 16,543	\$ 16,782	\$ 16,590	\$ 16,476	\$ 16,486	\$ 17,240	\$ 16,919
Number of teaching stations <sup>(3)</sup>	6,817	7,098	7,379	7,660	7,085	7,101	7,492	7,313	7,584	7,595
Average teacher salary <sup>(6)</sup>	\$ 65,173	\$ 67,439	\$ 71,039	\$ 75,517	\$ 76,499	\$ 73,638	\$ 72,356	\$ 75,463	\$ 75,452	\$ 76,029
Student/Teacher ratio - Regular Instruction <sup>(4)</sup>	14:1	13:1	13:1	14:1	13.5:1	14:1	14:1	11:4	14:1	14:1
Average SAT score <sup>(1) *</sup>	1,101	1,634	1,624	1,616	1,615	1,653	1,637	1,651	1,650	1,621
Seniors taking SAT <sup>(1)</sup>	77 %	76 %	79 %	74 %	81 %	73 %	77 %	78.2 %	77 %	68 %
Building capacity used <sup>(2) #</sup>	104 %	100 %	100 %	100 %	98.3 %	100 %	100 %	102 %	99 %	101 %
Support services:										
Student transportation:										
Number of buses <sup>(1)</sup>	1,252	1,264	1,272	1,271	1,270	1,268	1,264	1,264	1,270	1,273
Students transported <sup>(1)</sup>	95,962	95,711	96,000	96,700	97,100	98,535	100,158	99,300	101,949	101,949
Operation of plant:										
School buildings <sup>(1)</sup>	194	199	200	199	200	200	200	202	202	203
Square footage <sup>(2)</sup>	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	24.9 million
Number of rooms <sup>(2)</sup>	7,357	7,377	7,385	7,458	7,652	7,737	7,898	7,950	8,157	8,169
Maintenance of plant:										
Work orders completed	64,550	63,380	60,156	59,393	60,322	64,754	61,529	60,305	59,862	63,980
Average building age (years) <sup>(2) *</sup>	21	22	22	22	23	23	22	22	23	22
Administration:										
Payments issued	67,125	69,653	70,328	65,060	66,412	64,504	65,035	64,880	64,506	61,911
Purchased orders issued	48,343	49,609	43,233	58,858	49,870	59,866	33,436	33,663	48,375	37,763
<b>Business-Type Activities:</b>										
Food Service:										
Meals served	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	17.2 million
Free & Reduced meals	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	11.9 million
Real Estate Management:										
Square footage under lease	104,426	103,567	188,248	168,949	162,389	167,416	169,432	169,768	188,375	178,686
Average annual rental months	11	11	11	11	11.1	11.42	11.31	11.28	11.06	11.7
Field Trip:										
Number of trips run	7,224	7,392	8,004	9,277	9,800	10,913	11,632	11,490	11,509	11,187
Trip miles	259,977	270,741	298,324	366,796	385,878	427,679	440,462	433,456	427,596	438,954
Entrepreneurial activities:										
Science kits sold	4,356	12,621	5,871	7,975	4,806	5,676	4,748	3,546	1,854	2,293

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 2015:

- (1) The Superintendent's FY2016 Operating Budget Summary and Personnel Complement
- (2) 2014-2015 Schools at a Glance
- (3) FY2016 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) FY2015 Fact Sheet Prepared by Employee and Retiree Service Center

MONTGOMERY COUNTY PUBLIC SCHOOLS  
EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
<b>Governmental Activities:</b>				
<b>Instruction</b>				
Regular instruction:				
Teachers	9,546	9,679	9,666	9,589
Other staff	1,354	1,392	1,429	1,371
Total Regular instruction	<u>10,900</u>	<u>11,071</u>	<u>11,095</u>	<u>10,960</u>
Special education:				
Teachers	1,867	1,985	2,024	2,047
Other staff	1,269	1,377	1,412	1,424
Total Special education	<u>3,136</u>	<u>3,362</u>	<u>3,436</u>	<u>3,471</u>
School administration	1,610	1,675	1,691	1,677
Student personnel services	122	120	122	118
Total Instruction	<u>15,768</u>	<u>16,228</u>	<u>16,344</u>	<u>16,226</u>
<b>Support services:</b>				
Student transportation	1,728	1,750	1,751	1,745
Operation of plant	1,322	1,390	1,405	1,403
Maintenance of plant	389	377	380	396
Administration	345	363	377	369
Total Support services	<u>3,784</u>	<u>3,880</u>	<u>3,913</u>	<u>3,913</u>
<b>Special Revenue:</b>				
Instructional TV	14	14	14	14
<b>Business-Type Activities:</b>				
Food Service	590	601	602	605
Adult Education	5	-	-	-
Real Estate Management	5	4	4	7
Field Trips	3	3	3	4
Entrepreneurial activities	9	10	10	8
Position Grand total	<u>20,178</u>	<u>20,740</u>	<u>20,890</u>	<u>20,777</u>

Source:

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

Fiscal Year

2010	2011	2012	2013	2014	2015
9,690	9,453	9,467	9,617	9,887	10,119
1,374	1,351	1,208	1,211	1,205	1,085
<u>11,064</u>	<u>10,804</u>	<u>10,675</u>	<u>10,828</u>	<u>11,092</u>	<u>11,204</u>
2,094	2,117	2,114	2,141	2,201	2,241
1,514	1,545	1,547	1,556	1,591	1,626
<u>3,608</u>	<u>3,662</u>	<u>3,661</u>	<u>3,697</u>	<u>3,792</u>	<u>3,867</u>
1,662	1,683	1,669	1,673	1,675	1,678
111	110	109	107	108	112
<u>16,445</u>	<u>16,259</u>	<u>16,114</u>	<u>16,304</u>	<u>16,667</u>	<u>16,861</u>
1,742	1,742	1,733	1,733	1,733	1,733
1,398	1,407	1,430	1,431	1,442	1,594
389	380	380	380	375	351
358	339	327	328	333	347
<u>3,887</u>	<u>3,868</u>	<u>3,870</u>	<u>3,872</u>	<u>3,883</u>	<u>4,025</u>
14	14	13	13	13	14
584	584	584	583	583	585
-	-	-	-	-	-
7	7	7	7	7	7
5	5	5	5	5	5
10	9	9	13	13	13
<u>20,952</u>	<u>20,746</u>	<u>20,602</u>	<u>20,796</u>	<u>21,171</u>	<u>21,510</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF INSURANCE IN FORCE  
as of June 30, 2015

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	07/01/15-07/01/16		\$100,000
Workers' Compensation	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/15-07/01/16		As required by Maryland Statutes Plus \$100,000 Insurance Fund
Excess Liability Auto & General Liability	Britt Global Specialty, USA	PK1019515	07/01/15-06/30/16		\$10,000,000 \$3,000,000 Self-Insurance Fund Pays 1st \$3 Million
Property All Risk Coverage	FM Global	LP893	07/01/15-06/30/16		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	07/01/15-07/01/16		Same as Above
Commercial Crime Policy Bond Coverage - all Employees	Fidelity & Deposit Co. of Maryland	CCP006130411	07/01/14-06/30/17		\$1,000,000 per loss \$500,000 forgery alteration \$5,000 deductible
Public Official Bond	Travelers	106314639	02/16/15-02/16/19		\$10,000
Tackle Football for Students	Nationwide Life Insurance Co.	N/A	08/15/15-08/15/16		\$25,000 Per injury.
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/15-08/01/16		\$5,000,000 Medical Expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/15-06/30/16		No limits
Fiduciary Liability	Hudson Ins. Co.	SFD 31210245	07/01/14-06/30/16		\$5,000,000

N/A-Not Applicable

Source: Department of Financial Services



ROCKVILLE, MARYLAND

Published by the Department of Materials Management  
for the Division of Controller  
0320.16 • Editorial, Graphics & Publishing Services • 10/15 • 200

