

for the Fiscal Year Ended Ended **JUNE 30, 2013**

Comprehensive Annual FINANCIAL REPORT

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



Dr. Joshua P. Starr
Superintendent of Schools

Mr. Larry A. Bowers
Chief Operating Officer

Dr. Beth Schiavino-Narvaez
Deputy Superintendent of School Support and Improvement

Dr. Kimberly A. Statham
Deputy Superintendent of Teaching, Learning, and Programs

Montgomery County Public Schools

GUIDING TENETS

VISION

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

MISSION

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

CORE PURPOSE

Prepare all students to thrive in their future.

CORE VALUES

- **Learning**

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

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

- **Relationships**

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

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

- **Respect**

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

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

- **Excellence**

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

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

- **Equity**

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

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

Montgomery County Public Schools
A Component Unit of Montgomery County Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2013

Prepared by:

Office of the Chief Operating Officer

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

Cover Photograph:
Glenallan 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 27, 2013



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 (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, 2013.

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

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

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

MCPS Profile

The Board of Education of Montgomery County is the elected body, corporate and politic,

Members of the Board of Education

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

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

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

Relevant Financial Policies

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

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

Factors Affecting Financial Condition

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

Members of the Board of Education

Based on data from the Maryland Department of Labor, Licensing and Regulation, as reported by the County Executive in his Fiscal Year (FY) 14-19 Fiscal Plan, average monthly resident employment (labor force series and not seasonally adjusted) in Montgomery County increased by an estimated 6,300 during 2012, an increase of 1.3 percent from the previous calendar year. Average monthly resident employment stood at an estimated 504,400 in 2012 compared to 498,100 during the previous year. The county's total payroll employment increased by 5,100 jobs during 2012, an increase of 1.1 percent. The county's unemployment rate declined from 5.2 percent in 2011 to 5.0 percent in 2012. Throughout the calendar year, the county's unemployment rate remained one of the lowest in the State and averaged 1.8 percentage points below the State's average in 2012. While the unemployment rate has remained at or above 5.0 percent for the past four calendar years, it has declined steadily since its peak in 2010. The decline is attributed to an increase in resident employment and a decline in the number of unemployed during the last two years.

In addition, construction experienced a generally strong performance during 2012. The number of building permits (residential and commercial permits) in Montgomery County increased 37.5 percent and the number of new construction starts (residential and commercial projects) increased 6.5 percent compared to 2011. Strong residential construction starts attributed to multifamily and single-family units added a total value of \$529.3 million, an increase of 21.9 percent over 2011. Overall, construction starts added a total value of \$1.291 billion to the property tax base. This was, however, 3.6 percent below 2011 due to the decline in value of non-residential starts.

Using sales tax receipts as a measure of retail sales activity in the county, the growth in sales of both durable and nondurable goods increased 2.9 percent through October 2012 compared to the same ten-month period in 2011. Purchases of nondurable goods (e.g., food and beverages, apparel, general merchandise, and utilities and transportation) increased 6.5 percent during this period.

Housing demands in the Washington, D.C. area remain strong in summer 2013, as shown by increases in sales and pending contracts. According to the Center for Regional Analysis (CRA), inventories continue to decline, but the pace has slowed, bolstered by new listings. High demand as well as low supply has contributed to median sale price gains throughout the region. All counties in the region had median sale price increases in July 2013, and the median price for the region as a whole reached its highest July-level since 2009. Median days-on-the-market continues to be low, and is now at its lowest July-level since 2005. At \$435,500, the median sale price in Montgomery County is 10.4 percent higher than this time last year, a gain of \$41,000. Also, according to the CRA, over the next two decades the entire Baby Boomer generation will surpass the age of 65, driving continued change in the Washington metro area. As of the 2010 Decennial Census, there were about 1.5 million Baby Boomers living in the metro area, representing about 26 percent of the regional population. The Baby Boomers' influence on the region's housing picture, particularly its homeownership market, is far stronger than the size of its population. Of the 1.3 million homeowner households in the metro area in 2010, 629,000 (47 percent) had a householder aged 45-64—i.e., a Baby Boomer. The concentration of Baby Boomer homeowners was highest in the region's two largest suburban counties: Fairfax (50 percent) and Montgomery (49 percent).

Members of the Board of Education

These two areas alone had more than 260,000 homeowner households headed by a person between the ages of 45 and 64.

Long-term financial planning—Montgomery County’s Department of Finance assumes that Montgomery County’s economy is expected to continue to improve through the next six years though it expects the economic growth to be materially affected in 2014-2016 due to the impact of the federal budget sequester and the economic drag created by the January 2013 payroll and income tax increases. According to the county, resident employment is expected to increase at an average of 1.2 percent per year from 2012 to 2019. Personal income is expected to grow at an average annual rate of 4.7 percent from 2011 to 2019. By 2019, the county assumes that total personal income will reach \$99.55 billion. The county projects that the overall regional inflation index will gradually increase from 2.21 percent in 2012 to 2.45 percent in 2015, and then gradually grow to 3.85 percent by 2019.

Negotiated agreements—During FY 2013, the Board of Education reached agreement on economic re-opener agreements with all three employee associations. All groups are covered under separate two-year agreements covering July 1, 2012, through June 30, 2014. The amended agreements with each association, negotiated in spring 2012, provide for the following reopeners: economic provisions originally negotiated in FY 2009 and not implemented as a result of reopened negotiations; and implementation dates of normal salary steps scheduled for FY 2014. The bargaining units are the Montgomery County Education Association (MCEA), representing certificated non-administrative employees; 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.

On March 21, 2013, the Board of Education ratified final agreements with its three employee associations on economic terms for FY 2014. The FY 2014 Operating Budget includes funds for all increases that take effect in 2014. Eligible employees hired prior to February 1, 2013, who are not at the top step of their range, will move one step from their current step on the schedule effective February 8, 2014. Employees hired before February 1, 2013, who are not eligible for steps or longevity increases will receive a two percent salary increase on February 8, 2014.

Enrollment—MCPS enrollment has increased by 40,000 students in the last 20 years. After a brief period of relatively flat enrollment, from 2002 to 2007, enrollment began to increase substantially in 2008. These increases are a byproduct of the Great Recession that resulted in more students enrolling public school from private schools, 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 2012, MCPS enrollment increased by 11,034 students in a five year period. Enrollment on September 30, 2013, is projected to be 151,283, an increase of 2,504 students since the previous year. Total MCPS enrollment is projected to continue to grow, with 8,150 more students projected to enroll by 2018.

Members of the Board of Education

In regard to school capacity, MCPS is still catching 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 sources, implementation of full-day kindergarten at all elementary schools, and implementation of class-size reductions in kindergarten and Grades 1 and 2 at half of MCPS elementary schools that have high levels of Free and Reduced-price Meals participation. This year, MCPS is addressing overutilization at schools with 379 relocatable classrooms, 331 of which are at elementary schools where space issues are most pronounced. To relieve overutilization of schools, MCPS will build three elementary schools and two middle schools in the next five years. Also, a total of 317 classrooms will be added at overutilized schools in the next five years. Even with all of these capital projects MCPS will continue to face space shortages in many of our schools.

Accomplishments and Awards

Graduation rates—According to the 2013 Diplomas Count report released by *Education Week*, Montgomery County Public Schools (MCPS) has the second highest graduation rate of any of the 50 largest school districts in the nation. The report calculated the MCPS graduation rate as 84 percent—significantly higher than the rate for the state of Maryland (78.6 percent) and the nation (74.7 percent).

Top high schools—In 2013, MCPS placed 17 high schools on the annual list of America’s Best High Schools, published by *Newsweek/The Daily Beast*. Two MCPS high schools made the top 100 nationally, and the district has the top six schools in the state of Maryland. The list only includes the top 2,000 high schools—less than 10 percent of all the high schools in United States.

SAT scores—The system wide average SAT score in FY 2013 was 1648, compared with a Maryland average of 1,483 and a national average of 1,498. African American graduates of MCPS scored an average of 1397 on the SAT, an increase of 8 points from the class of 2012. Hispanic graduates from MCPS scored an average of 1452 on the SAT, a decrease of 32 points from last year, but significantly higher than graduates in the state (1387) and the nation (1354). 69 percent of graduates took the SAT, the same percentage as public school graduates in Maryland. Nationally, 43 percent of public school graduates took the SAT. Still, the new scores spotlight a chronic achievement gap in the high-performing public school system. Economically disadvantaged students took the SAT test in greater numbers this year and that their performance increased by 22 points, compared with the Class of 2012. These students earned an overall score of 1,382.

Academic progress—Students at all levels are demonstrating improved academic achievement. In 2012, more than 52 percent of the school system’s seniors scored a 3 or higher on at least one Advanced Placement exam, which is nearly three times the national average and nearly double the average in Maryland. More than 67 percent of all MCPS seniors took one or more Advanced Placement exam. Overall, MCPS African American and Hispanic graduates outperformed all students across the nation on AP participation and performance. Record numbers of kindergarten

Members of the Board of Education

students are reading—91 percent in 2012, up from 59 percent in 2001, including 91 percent of African American students and 84 percent of Hispanic students. A total of 62 percent of Grade 8 students successfully completed Algebra 1 with a C or higher in 2012. Students at all levels are demonstrating improved academic achievement.

Financial reporting awards—The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MCPS for its CAFR for the fiscal year ended June 30, 2012. 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 32 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 2013 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.

Respectfully submitted,



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



Larry A. Bowers
Chief Operating Officer



Susanne G. DeGraba
Chief Financial Officer



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, 2012

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, 2012*

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



A handwritten signature in black ink, appearing to read "Ron McCulley".

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, appearing to read "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

MONTGOMERY COUNTY PUBLIC SCHOOLS LISTING OF OFFICIALS

MEMBERS OF THE BOARD OF EDUCATION

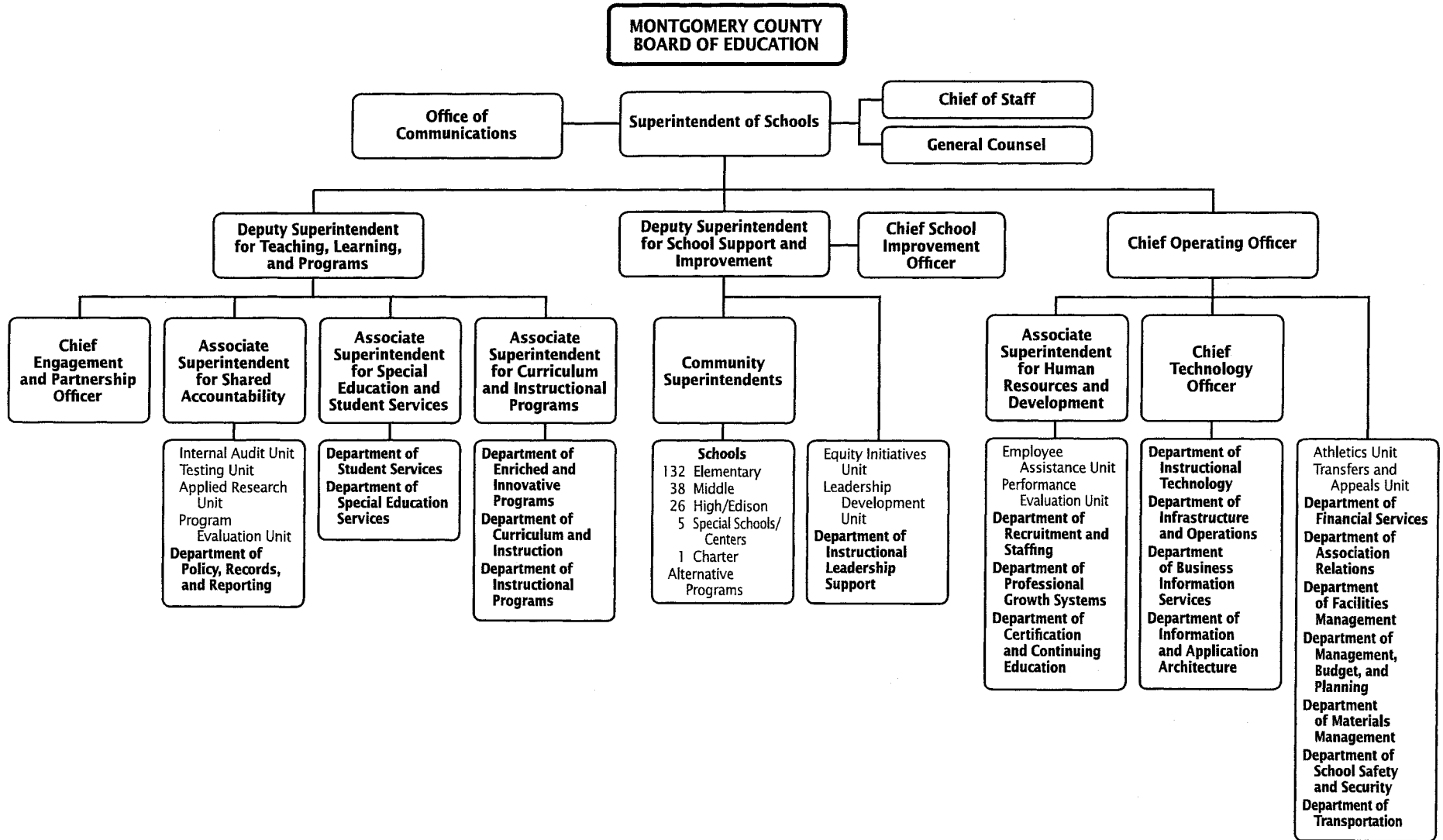
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Philip Kauffman, Vice President
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Michael A. Durso
Rebecca Smondrowski
Patricia B. O'Neill

Justin Kim, Student Board Member

EXECUTIVE STAFF

Joshua P. Starr (Dr.) Superintendent of Schools
Larry A. Bowers Chief Operating Officer
Beth Schiavino-Narvaez (Dr.)Deputy Superintendent for School Support and Improvements
Kimberly A Statham (Dr.) Deputy Superintendent for Teaching, Learning and Programs
Andrew M. Zuckerman (Dr.) Chief of Staff
Sherwin Collette Chief Technology Officer
Brian K. Edwards Chief Communication Officer, Office of Communications
Christopher S. Garran (Dr.) Associate Superintendent of High Schools, Office of School Support and Improvement
Carole C. Goodman..... Associate Superintendent for Human Resources and Development
Donna S. Hollingshead (Dr.) Associate Superintendent of Elementary Schools, Office of School Support and Improvement
LaVerne G. Kimball (Dr.) Associate Superintendent of Elementary Schools, Office of School Support and Improvement
Erick J. Lang..... Associate Superintendent for Curriculum and Instructional Programs
Geoffrey T. Sanderson..... Associate Superintendent for Shared Accountability
Bronnda L. Mills Associate Superintendent of Elementary Schools, Office of School Support and Improvement
Chrisandra A. Richardson..... Associate Superintendent for Special Education and Student Services
Myra Smith (Dr.) Associate Superintendent of Elementary Schools, Office of School Support and Improvement
Sito J. Narcisse (Dr.) Acting Chief School Improvement Officer, Office of School Support and Improvement
Timothy B. Warner (Dr.) Chief Engagement and Partnership Officer
Darryl L. Williams (Dr.)..... Associate Superintendent of Middle Schools, Office of Schools Support and Improvement

MONTGOMERY COUNTY 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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 14 through 25 and the schedules of funding progress and employer and other contributing entities contributions on page 64 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 27, 2013, 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 27, 2013

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, 2013. 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, 2013, by \$1,885.9 million, which represents its net position.
- MCPS' net position increased during the year by \$100.9 million.
- 82 percent of capital asset additions were directed toward instructional facilities.
- MCPS successfully generated \$25.7 million in FY 2013 savings to be used to fund future operating budgets.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41–63 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 67–78 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 238.6	\$ 213.1	\$ 4.6	\$ 3.7	\$ 243.2	\$ 216.8
Capital assets	2,404.6	2,259.1	3.3	3.8	2,407.9	2,262.9
Total assets	2,643.2	2,472.2	7.9	7.5	2,651.1	2,479.7
Long-term liabilities outstanding	579.1	522.9	8.9	7.9	588.0	530.8
Other liabilities	174.2	161.0	3.0	2.8	177.2	163.8
Total liabilities	753.3	683.9	11.9	10.7	765.2	694.6
Net Position:						
Net investment in capital assets	2,377.5	2,234.8	3.1	3.6	2,380.6	2,238.4
Unrestricted	(487.6)	(446.6)	(7.1)	(6.8)	(494.7)	(453.4)
Total net position	\$ 1,889.9	\$ 1,788.2	\$ (4.0)	\$ (3.2)	\$ 1,885.9	\$ 1,785.0

Government-wide Financial Analysis

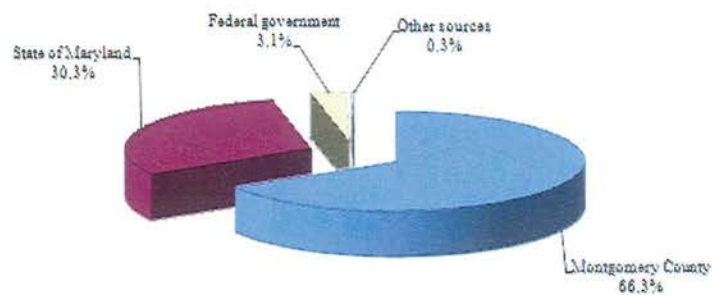
Net position may serve as a useful indicator of a government's financial position. MCPS' net position, the amount by which assets exceed liabilities, increased \$100.9 million to \$1,885.9 million. The increase came from governmental activities, which increased by \$101.7 million to \$1,889.9 million. The largest portion of net position reflects MCPS' investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by MCPS to acquire those assets. Net investment in capital assets for governmental activities increased \$142.7 million to \$2,377.5 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 \$41.3 million to a \$494.7 million deficit at June 30, 2013. The increase in unrestricted net deficit is primarily attributed to the increase in the net OPEB obligation of \$54.8 million. The net OPEB obligation increased from \$396.7 million to \$451.5 million as a result of MCPS transitioning to full funding of the annual required contribution for postemployment health benefits over a period of eight years.

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

Revenues by Source - Governmental Activities

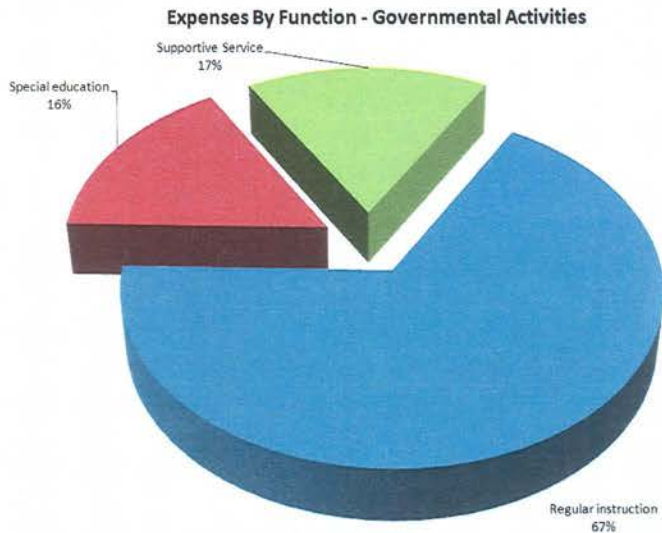


Governmental activities. Governmental activities unrestricted net deficit increased \$41.0 million to a deficit of \$487.6 million at June 30, 2013. The increase in unrestricted net deficit arose primarily from an increase of \$54.0 million in the net OPEB obligation. That increase was partially offset by \$25.7 million in savings in General Fund operations, less \$17.0 million in net position used to fund 2013 operations.

Total revenues for MCPS' governmental activities increased \$63.2 million (2.5 percent). Intergovernmental revenues increased \$60.0 million (2.6 percent), and operating grants revenues decreased \$5.5 million (6.6 percent). Intergovernmental revenues from Montgomery County increased \$52.2 million (3.3 percent). An increase of \$88.3 million in general operating revenue was offset by a decrease of \$36.1 million in capital projects revenue in 2013. Intergovernmental revenue from the State of Maryland increased \$9.5 million (1.2 percent), related to an increase of \$19.1 million in construction funds, an increase of \$32.2 million in unrestricted *Bridge to Excellence* formula-driven grants, offset by a decrease of \$41.8 million in the state's pension contribution made on behalf of MCPS employees. Federal intergovernmental revenue decreased \$1.7 million, largely due to a decrease of \$2.0 million in Medicare Part D subsidies and an increase of \$0.3 million in capital project revenue in 2013.

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

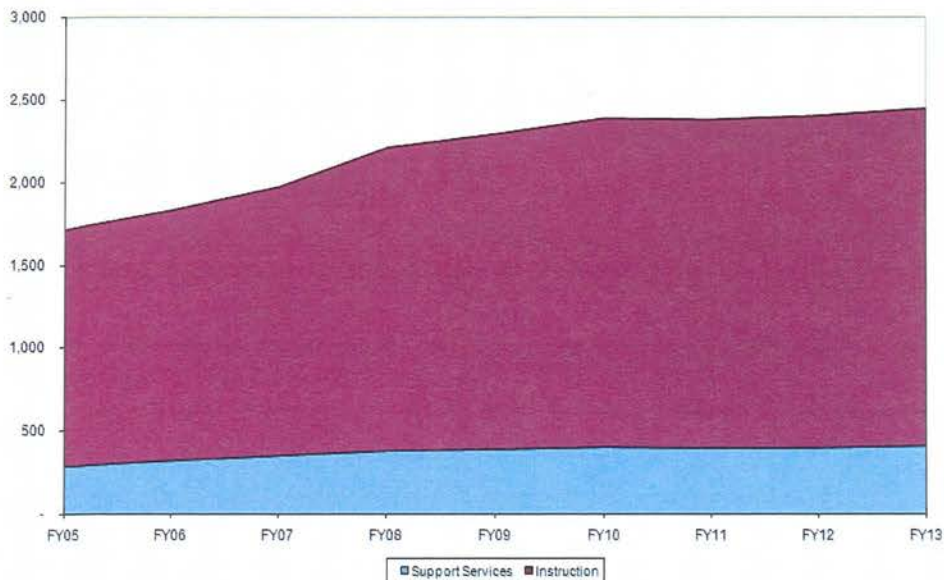
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3.9	\$ 3.8	\$ 24.9	\$ 26.1	\$ 28.8	\$ 29.9
Operating grants and contributions	78.0	83.5	32.8	30.6	110.8	114.1
Capital grants and contributions	67.6	59.4	0.1	0.5	67.7	59.9
General revenues:						
Intergovernmental	2,407.8	2,347.8			2,407.8	2,347.8
Other	0.9	0.5	-	-	0.9	0.5
Total revenues	2,558.2	2,495.0	57.8	57.2	2,616.0	2,552.2
Expenses:						
Regular instruction	1,425.8	1,401.0			1,425.8	1,401.0
Special education	398.5	392.9			398.5	392.9
School administration	204.8	202.7			204.8	202.7
Student personnel services	16.0	16.3			16.0	16.3
Health services	-	-			-	-
Student transportation	129.9	129.1			129.9	129.1
Operation of plant	150.1	147.3			150.1	147.3
Maintenance of plant	69.6	64.1			69.6	64.1
Administration	58.5	57.3			58.5	57.3
Community services	2.5	2.1			2.5	2.1
Interest on capital leases	0.8	0.9			0.8	0.9
Food services			51.3	49.7	51.3	49.7
Real estate management			3.0	3.2	3.0	3.2
Field trips			1.7	1.8	1.7	1.8
Entrepreneurial activities			2.6	2.0	2.6	2.0
Total expenses	2,456.5	2,413.7	58.6	56.7	2,515.1	2,470.4
Increase (decrease) in net position	101.7	81.3	(0.8)	0.5	100.9	81.8
Net Position—beginning	1,788.2	1,706.9	(3.2)	(3.7)	1,785.0	1,703.2
Net Position—ending	\$ 1,889.9	\$ 1,788.2	\$ (4.0)	\$ (3.2)	1,885.9	\$ 1,785.0



Total expenses for MCPS governmental activities increased \$42.8 million (1.8 percent) to \$2,456.5 million. In 2013, instructional programs expenses accounted for 83.3 percent, (83.4 percent in 2012), and support services accounted for 16.7 percent (16.6 percent in 2012) of total governmental activities expenses.

Support service expenses remain flat as the proportion of instructional expenses to total expenses continues to rise (see chart below). This is the result of internal savings and cost reduction programs which are the primary source for funding instructional program initiatives. Employee healthcare and other postemployment healthcare benefits increased \$10.2 million (2.63 percent), principally due to increased funding of employee health care and other post employment health benefits. Salaries increased \$38.5 million (2.8 percent) primarily due to steps or longevity increases in 2013. The FY2013 Operating Budget included funds for salary steps and longevity increases that took effect on July 1, 2012. Employees not eligible for steps or longevity increases received a 2 percent salary increase on July 1, 2012. Employees who were eligible for a step increase in FY2011 also received a step increase on May 4, 2013.

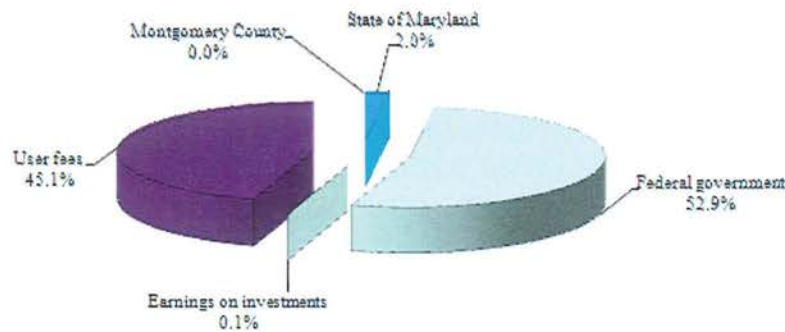
Instruction vs. Support Services Expenses
(Amount expressed in millions)



Business-type activities. Business-type activities decreased MCPS' net position by \$0.8 million. Total revenues increased \$0.6 million (1.0 percent) to \$57.8 million. Charges for services decreased \$1.2 million (4.6 percent) principally due to a decline in lunch sales. The number of reimbursable lunch meals decreased approximately 368,000 (3.9 percent) to 10,080,000. Operating grants related to federal student lunch programs increased \$2.2 million (7.2 percent) due to an increase in the reimbursement rates from \$0.26 to \$0.35 for full price meals, from \$2.37 to \$2.54 for reduced rate meals, and from \$2.77 to \$2.94 for free meals.

Total expenses increased \$1.9 million (3.4 percent). Food services operating expenses increased \$1.6 million (3.2 percent). Food costs increased \$1.0 million (7.8 percent) due to an increase in cost associated with new regulations requiring students to take either ½ cup of fruit or ½ cup vegetable with every lunch, and to increase whole grain products to 51 percent or more. Employee health benefit costs decreased \$0.5 million (4.0 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.

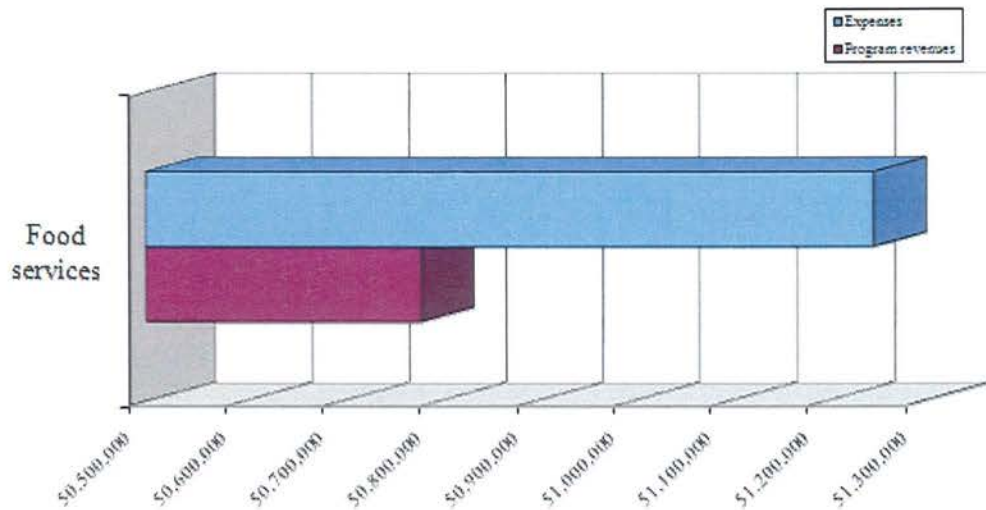
Governmental funds. The focus of MCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MCPS' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's 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 \$49.7 million, an increase of \$6.3 million from the prior year. Fund balance restricted for the instructional TV program of \$0.4 million increased \$0.1 million from the prior year.

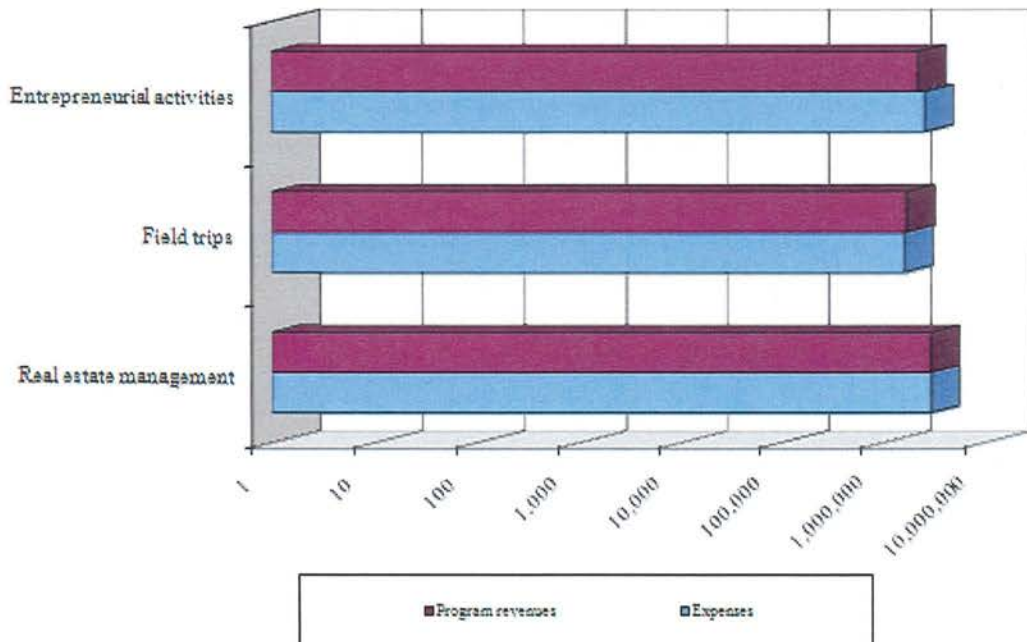
The general fund is the principal operating fund of MCPS. At June 30, 2013, fund balance was \$49.3 million. Nonspendable fund balance was \$7.7 million. Nonspendable fund balance is

classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs decreased by \$1.6 million to \$5.5 million. Unassigned fund balance increased by \$7.4 million to \$36.1 million at June 30, 2013.

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 2013 was \$2,126.1 million. The increase was a result of supplemental appropriations for restricted program grants received during the year.

Actual budgetary fund balance increased by \$1.6 million to \$49.2 million. The increase in fund balance resulted primarily from current year savings to be used toward funding future operating budgets.

Actual revenues were \$9.7 million under budget for the year. Unrestricted revenue was \$3.9 million in excess of budget. Revenue from fees was up \$0.4 million, State revenue for tuition for students attending nonpublic programs was up \$3.3 million, and Federal Impact Aid was up \$0.2 million. Restricted revenues were \$13.6 million under budget, of which \$2.4 million comprised estimated restricted grant activity that did not materialize, and \$11.2 million in unrealized revenue for grants that carried forward into 2014.

Actual expenditures were \$35.4 million under budget. Restricted expenditures were \$13.6 million less than the budget, which consisted of \$11.2 million in unspent funds for grants that carry forward into 2014, and \$2.4 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$21.8 million under budget. A savings plan implemented during the year reduced expenditures. Higher than budgeted instructional salaries lapse and turnover savings of \$12.0 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, 2013, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$2,407.9 million, net of accumulated depreciation. This amount represents a net increase of \$145.0 million or 6.4 percent from last year. The net value of buildings, less accumulated depreciation, increased \$240.6 million and construction in progress decreased \$164.0 million.

Montgomery County Public Schools Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 79.3	\$ 74.7	\$	\$	\$ 79.3	\$ 74.7
Buildings	1,983.4	1,742.8			1,983.4	1,742.8
Improvements other than buildings	239.3	179.1			239.3	179.1
Vehicle and equipment	58.9	54.8	3.3	3.8	62.2	58.6
Construction	43.7	207.7			43.7	207.7
Total	\$ 2,404.6	\$ 2,259.1	\$ 3.3	\$ 3.8	\$ 2,407.9	\$ 2,262.9

To relieve overcrowding, reduce the number of relocatable classrooms, and accommodate full-day kindergarten, in FY 2013, MCPS added 58 classrooms through modernizations projects and the August 2012 opening of a new elementary school. In FY 2014, MCPS will add 48 classrooms as part of school modernizations and 83 classrooms through stand-alone additions.

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

Long-term debt. At June 30, 2013, MCPS had \$47.8 million in capital leases outstanding. MCPS acquires school buses, instructional computers and furniture, other vehicles, and heavy equipment through a master lease agreement with a financial institution. New capital leases for school buses, instructional computers, and other equipment amounted to \$29.0 million during FY 2013. Principal payments on existing capital leases were \$19.5 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 \$20.0 million and \$58.9 million respectively in FY 2012 and FY 2013 on behalf of MCPS to maintain progress toward completion of the eight-year phase-in. In FY 2014, the Montgomery County Council will contribute \$83.7 million. The county intends to reach full OPEB funding in FY 2015, the eighth year of the phase-in.

Effective July 1, 2011, the Montgomery County Council established the consolidated OPEB Plan Trust that expanded the County OPEB Plan to include funds for the benefit of MCPS retirees. Beginning in fiscal year 2012, and each year thereafter, the MCPS annual UAAL contribution will be made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust. The current MCPS OPEB Plan Trust will remain in place, but will no longer receive annual contributions.

Pension Plan. The Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial reporting for Pension Plan* in June 2012, which is effective in FY 2014 for MCPS. Statement No.67 provides guidance to pension plans that are administered through trusts or similar arrangements, enhances note disclosures and requires new Required Supplementary Information (RSI) schedules for defined benefit pension plans in order to enhance financial reporting for state and local governmental pension plans. MCPS will incorporate the provisions of this statement in next year's financials statements.

No Child Left Behind. In 2002, the United States Congress approved the *No Child Left Behind Act* (NCLB). This marked the most fundamental revision of federal education legislation since the adoption of the *Elementary and Secondary Education Act* (ESEA) in 1965. The law calls for rigorous standards in all states and compulsory testing of students in Grades 3 through 8 and Grade 10. 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 School 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.

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 Senate Bill (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, 2013

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 34,678,857	\$ 2,082,597	\$ 36,761,454	\$
Cash and cash equivalents		5,618,353	5,618,353	83,979
Investments - cash equivalents	68,057,730		68,057,730	
Investments				4,598,490
Accounts receivable:				
Montgomery County	65,512,007	18,096	65,530,103	
State of Maryland	18,201,256	144,012	18,345,268	
Federal government	13,935,807	2,035,849	15,971,656	
Other	22,051,695	394,164	22,445,859	
Due from component unit	131,063		131,063	
Internal balances	6,888,362	(6,888,362)		
Inventories	7,488,483	1,240,372	8,728,855	
Prepays	257,171		257,171	
Due from employees	308,675		308,675	
Net Pension Asset	1,089,516		1,089,516	
Capital assets (net of accumulated depreciation):				
Land	79,300,160		79,300,160	
Buildings and additions	1,983,440,738		1,983,440,738	
Improvements other than buildings	239,303,300		239,303,300	
Construction in progress	43,674,470		43,674,470	
Vehicles and equipment	58,863,717	3,289,210	62,152,927	44,237
Total assets	2,643,183,007	7,934,291	2,651,117,298	4,726,706
Liabilities				
Accounts payable and other current liabilities	128,358,763	457,822	128,816,585	35,635
Due to primary government				131,063
Due to external parties	18,006,548		18,006,548	
Unearned revenue	3,050,159	2,360,285	5,410,444	
Noncurrent liabilities:				
Due within one year	24,822,943	164,470	24,987,413	
Due in more than one year	579,113,674	8,915,056	588,028,730	
Total liabilities	753,352,087	11,897,633	765,249,720	166,698
Net Position				
Net investment in capital assets	2,377,418,879	3,105,386	2,380,524,265	
Restricted for:				
Instructional Programs, Expendable				223,361
Scholarships, Non-Expendable				821,862
Unrestricted	(487,587,959)	(7,068,728)	(494,656,687)	3,514,785
Total net position	\$ 1,889,830,920	\$ (3,963,342)	\$ 1,885,867,578	\$ 4,560,008

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,425,776,788	\$ 3,213,751	\$ 36,101,157	\$ 37,096,016
Special education	398,480,390	294,295	35,467,797	
School administration	204,795,867		3,249,461	
Student personnel services	15,992,374		640,536	
Health services	20,074			
Total instruction	<u>2,045,065,493</u>	<u>3,508,046</u>	<u>75,458,951</u>	<u>37,096,016</u>
Support services:				
Student transportation	129,890,569	363,638	177,767	-
Operation of plant	150,099,667		166,471	4,105,930
Maintenance of plant	69,624,065		1,500	20,779,366
Administration	58,481,042		160,721	5,663,164
Community services	2,548,923		2,028,833	
Interest on capital leases	801,273			
Total support services	<u>411,445,539</u>	<u>363,638</u>	<u>2,535,292</u>	<u>30,548,460</u>
Total governmental activities	<u>2,456,511,032</u>	<u>3,871,684</u>	<u>77,994,243</u>	<u>67,644,476</u>
Business-type activities:				
Food services	51,249,507	17,907,925	32,844,833	30,898
Real estate management	3,039,558	3,026,997		
Field trips	1,664,949	1,735,962		
Entrepreneurial activities	2,604,177	2,235,250		
Total business-type activities	<u>58,558,191</u>	<u>24,906,134</u>	<u>32,844,833</u>	<u>30,898</u>
Total primary government	<u>\$ 2,515,069,223</u>	<u>\$ 28,777,818</u>	<u>\$ 110,839,076</u>	<u>\$ 67,675,374</u>
Component Unit:				
Educational Foundation	<u>\$ 1,179,426</u>	<u>\$ -</u>	<u>\$ 1,282,631</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,349,365,864)	\$ -	\$ (1,349,365,864)	\$ -
(362,718,298)		(362,718,298)	
(201,546,406)		(201,546,406)	
(15,351,838)		(15,351,838)	
(20,074)		(20,074)	
<u>(1,929,002,480)</u>	<u>-</u>	<u>(1,929,002,480)</u>	<u>-</u>
(129,349,164)		(129,349,164)	
(145,827,266)		(145,827,266)	
(48,843,199)		(48,843,199)	
(52,657,157)		(52,657,157)	
(520,090)		(520,090)	
(801,273)		(801,273)	
<u>(377,998,149)</u>	<u>-</u>	<u>(377,998,149)</u>	<u>-</u>
<u>(2,307,000,629)</u>	<u>-</u>	<u>(2,307,000,629)</u>	<u>-</u>
	(465,851)	(465,851)	
	(12,561)	(12,561)	
	71,013	71,013	
	(368,927)	(368,927)	
<u>-</u>	<u>(776,326)</u>	<u>(776,326)</u>	<u>-</u>
<u>(2,307,000,629)</u>	<u>(776,326)</u>	<u>(2,307,776,955)</u>	<u>-</u>
			<u>103,205</u>
1,633,828,866		1,633,828,866	
771,174,249		771,174,249	
2,758,250		2,758,250	
865,352	34,609	899,961	
<u>2,408,626,717</u>	<u>34,609</u>	<u>2,408,661,326</u>	<u>-</u>
101,626,088	(741,717)	100,884,371	103,205
1,788,204,832	(3,221,625)	1,784,983,207	4,456,803
<u>\$ 1,889,830,920</u>	<u>\$ (3,963,342)</u>	<u>\$ 1,885,867,578</u>	<u>\$ 4,560,008</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 34,678,857	\$ -	\$ -	\$ 34,678,857
Accounts receivable:				
Montgomery County	48,269,274	17,242,733		65,512,007
State of Maryland	7,822,634	10,378,622		18,201,256
Federal government	13,935,808			13,935,808
Other	21,897,147	153,829		22,050,976
Due from other funds		9,444,839	375,239	9,820,078
Due from component unit	131,063			131,063
Inventories	7,488,483			7,488,483
Prepays	257,171			257,171
Due from employees	308,675			308,675
Total assets	<u>\$ 134,789,112</u>	<u>\$ 37,220,023</u>	<u>\$ 375,239</u>	<u>\$ 172,384,374</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,074,146	\$ 25,342,492	\$ 3,480	\$ 44,420,118
Retainage payable		11,830,774		11,830,774
Accrued salaries and withholdings	49,406,183			49,406,183
Due to other funds	7,798,513	46,757	6,631	7,851,901
Due to fiduciary funds	16,437			16,437
Unearned revenue	3,050,159			3,050,159
Compensated absences	6,150,959			6,150,959
Total liabilities	<u>85,496,397</u>	<u>37,220,023</u>	<u>10,111</u>	<u>122,726,531</u>
Fund Balances:				
Nonspendable:				
Inventories	7,488,483			7,488,483
Prepays	257,171			257,171
Restricted for:				
Instructional TV program			365,128	365,128
Assigned for:				
Instructional programs	5,478,166			5,478,166
Unassigned	36,068,895			36,068,895
Total fund balances	<u>49,292,715</u>	<u>-</u>	<u>365,128</u>	<u>49,657,843</u>
Total liabilities and fund balances	<u>\$ 134,789,112</u>	<u>\$ 37,220,023</u>	<u>\$ 375,239</u>	<u>\$ 172,384,374</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, 2013

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

Total fund balances - governmental funds		\$ 49,657,843
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	\$ 3,456,780,216	
Accumulated depreciation is	<u>(1,052,197,831)</u>	2,404,582,385
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.		
		32,286,836
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		(47,090,756)
Compensated absences	\$ (111,553,005)	
Compensated absences-Governmental Funds	<u>6,150,959</u>	(105,402,046)
Net pension asset		1,089,516
OPEB obligation		<u>(445,292,858)</u>
		<u>(596,696,144)</u>
Total net position - governmental activities		<u>\$ 1,889,830,920</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, 2013

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,478,492,543	\$ 218,819,270	\$ -	\$ 1,697,311,813
State of Maryland	723,834,748	52,352,511		776,187,259
Federal government	75,230,261	2,437,796		77,668,057
Other sources	4,959,907	84,295	1,457,591	6,501,793
Total revenues	<u>2,282,517,459</u>	<u>273,693,872</u>	<u>1,457,591</u>	<u>2,557,668,922</u>
Expenditures:				
Current:				
Administration	38,361,432			38,361,432
Mid-level administration	135,537,267			135,537,267
Instructional salaries and wages	831,267,986			831,267,986
Instructional textbooks and supplies	24,850,483			24,850,483
Other instructional costs	13,409,988			13,409,988
Special education	275,623,730			275,623,730
Student personnel services	10,572,269			10,572,269
Health services	18,994			18,994
Student transportation	95,911,020			95,911,020
Operation of plant	112,560,889			112,560,889
Maintenance of plant	33,286,341			33,286,341
Fixed charges	705,727,831			705,727,831
Community services	508,718		1,379,731	1,888,449
Debt service:				
Capital lease principal	11,167,471	8,226,740		19,394,211
Capital lease interest	612,698	188,575		801,273
Capital outlay		280,935,624		280,935,624
Total expenditures	<u>2,289,417,117</u>	<u>289,350,939</u>	<u>1,379,731</u>	<u>2,580,147,787</u>
Excess (deficiency) of revenues over expenditures	<u>(6,899,658)</u>	<u>(15,657,067)</u>	<u>77,860</u>	<u>(22,478,865)</u>
Other financing sources:				
Capital lease financing	13,153,020	15,657,067		28,810,087
Total other financing sources	<u>13,153,020</u>	<u>15,657,067</u>	<u>-</u>	<u>28,810,087</u>
Net change in fund balances	6,253,362	-	77,860	6,331,222
Fund balances - beginning	<u>43,039,353</u>	<u>-</u>	<u>287,268</u>	<u>43,326,621</u>
Fund balances - ending	<u>\$ 49,292,715</u>	<u>\$ -</u>	<u>\$ 365,128</u>	<u>\$ 49,657,843</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, 2013

Total net change in fund balances - governmental funds \$ 6,331,222

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 (\$280,935,624 less non-capitalized items of \$67,176,276) plus capital outlays for general fund assets (\$13,868,348) exceed depreciation expense (\$81,913,194) in the current period. 145,714,502

The net effect of various miscellaneous transactions involving capital assets, such as the the loss on disposal of capital assets and the donation of land from developers is to decrease net position. (200,259)

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 (\$28,810,087) exceeded principal payments (\$19,394,211) (9,415,876)

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	\$ (54,048,408)	
Compensated absences	4,641,946	
Change in net pension obligation	<u>(803,204)</u>	(50,209,666)

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. 9,406,165

Change in net position of governmental activities \$ 101,626,088

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, 2013

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,419,513,701	\$ 1,419,513,701	\$ 1,419,639,451	\$ 1,419,639,451	\$ -
State of Maryland	-	588,487,996	588,487,996	591,302,477	594,415,471	3,112,994
Federal government	-	73,198,065	73,198,065	84,098,627	73,280,099	(10,818,528)
Other sources	-	13,566,837	13,566,837	6,993,982	4,959,907	(2,034,075)
Total revenues	-	2,094,766,599	2,094,766,599	2,102,034,537	2,092,294,928	(9,739,609)
Expenditures and encumbrances:						
Current:						
Administration	1,118,615	38,552,576	39,671,191	39,408,464	38,443,829	964,635
Mid-level administration	632,944	139,962,639	140,595,583	139,684,638	135,797,230	3,887,408
Instructional salaries and wages	-	842,464,698	842,464,698	847,903,281	830,472,924	17,430,357
Instructional textbooks and supplies	1,244,901	25,313,205	26,558,106	26,967,535	25,561,442	1,406,093
Other instructional costs	1,540,683	14,556,052	16,096,735	15,049,035	13,869,106	1,179,929
Special education	381,978	280,569,344	280,951,322	281,901,602	277,822,221	4,079,381
Student personnel services	(98)	11,008,660	11,008,562	10,833,563	10,572,550	261,013
Health services	-	37,402	37,402	37,402	18,994	18,408
Student transportation	95,828	95,750,288	95,846,116	95,764,414	95,442,991	321,423
Operation of plant	1,371,117	113,728,144	115,099,261	115,099,261	112,656,278	2,442,983
Maintenance of plant	549,299	33,780,373	34,329,672	34,334,672	34,018,766	315,906
Fixed charges	133,898	515,744,423	515,878,321	518,417,083	515,479,006	2,938,077
Community services	-	298,795	298,795	702,752	508,512	194,240
Total expenditures and encumbrances	7,069,165	2,111,766,599	2,118,835,764	2,126,103,702	2,090,663,849	35,439,853
Excess (deficiency) of revenues over expenditures and encumbrances	(7,069,165)	(17,000,000)	(24,069,165)	(24,069,165)	1,631,079	25,700,244
Fund balance - beginning	7,069,165	17,000,000	24,069,165	24,069,165	47,584,428	23,515,263
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 49,215,507	\$ 49,215,507

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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 2,082,597	\$ 2,082,597	\$ -
Cash and cash equivalents	5,618,353		5,618,353	
Investments - cash equivalents				68,057,730
Accounts receivable:				
Montgomery County	18,096		18,096	
State of Maryland	144,012		144,012	
Federal government	2,035,849		2,035,849	
Other		394,164	394,164	720
Due from other funds		132,931	132,931	4,920,185
Inventories	1,200,102	40,270	1,240,372	
Total current assets	<u>9,016,412</u>	<u>2,649,962</u>	<u>11,666,374</u>	<u>72,978,635</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	3,288,469	741	3,289,210	
Total noncurrent assets	<u>3,288,469</u>	<u>741</u>	<u>3,289,210</u>	<u>-</u>
Total assets	<u>12,304,881</u>	<u>2,650,703</u>	<u>14,955,584</u>	<u>72,978,635</u>
Liabilities				
Current liabilities:				
Accounts payable	304,403	153,419	457,822	226,622
Claims payable				19,097,953
Due to employees, advance premium withholdings				3,377,113
Due to other funds	7,021,293		7,021,293	
Due to external parties				17,990,111
Unearned revenue	1,965,015	395,270	2,360,285	
Capital leases - current	125,968	2,993	128,961	
Compensated absences - current	35,509		35,509	
Total current liabilities	<u>9,452,188</u>	<u>551,682</u>	<u>10,003,870</u>	<u>40,691,799</u>
Noncurrent liabilities:				
Net OPEB obligation	6,231,030		6,231,030	
Capital leases payable	261,843	322,281	584,124	
Compensated absences	1,838,405	261,497	2,099,902	
Total noncurrent liabilities	<u>8,331,278</u>	<u>583,778</u>	<u>8,915,056</u>	<u>-</u>
Total liabilities	<u>17,783,466</u>	<u>1,135,460</u>	<u>18,918,926</u>	<u>40,691,799</u>
Net Position				
Net investment in capital assets	3,104,645	741	3,105,386	
Unrestricted (deficit)	<u>(8,583,230)</u>	<u>1,514,502</u>	<u>(7,068,728)</u>	<u>32,286,836</u>
Total net position	<u>\$ (5,478,585)</u>	<u>\$ 1,515,243</u>	<u>\$ (3,963,342)</u>	<u>\$ 32,286,836</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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 17,907,925	\$ -	\$ 17,907,925	\$ -
Rent and fees		6,998,209	6,998,209	
Employer's contributions				248,811,301
Members' contributions				24,546,662
Total operating revenues	<u>17,907,925</u>	<u>6,998,209</u>	<u>24,906,134</u>	<u>273,357,963</u>
Operating expenses:				
Salaries and wages	18,532,284	2,502,256	21,034,540	
Contracted services	1,477,513	944,732	2,422,245	
Supplies and materials	1,538,528	856,139	2,394,667	
Food purchases	14,477,898		14,477,898	
USDA commodities	2,536,630		2,536,630	
Other charges	12,065,932	3,004,074	15,070,006	1,410,165
Depreciation	620,722	1,483	622,205	
Benefits paid to plan members				207,271,473
Premiums paid to insurance companies				55,297,660
Total operating expenses	<u>51,249,507</u>	<u>7,308,684</u>	<u>58,558,191</u>	<u>263,979,298</u>
Operating income (loss)	<u>(33,341,582)</u>	<u>(310,475)</u>	<u>(33,652,057)</u>	<u>9,378,665</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	29,210,879		29,210,879	
State funds	1,097,324		1,097,324	
Other funds	-		-	
USDA commodities	2,536,630		2,536,630	
Investment income	34,609		34,609	27,500
Total nonoperating revenues	<u>32,879,442</u>	<u>-</u>	<u>32,879,442</u>	<u>27,500</u>
Income (loss) before capital contributions and transfers	<u>(462,140)</u>	<u>(310,475)</u>	<u>(772,615)</u>	<u>9,406,165</u>
Capital contributions - equipment	<u>30,898</u>		<u>30,898</u>	
Change in net position	<u>(431,242)</u>	<u>(310,475)</u>	<u>(741,717)</u>	<u>9,406,165</u>
Total net position - beginning	<u>(5,047,343)</u>	<u>1,825,718</u>	<u>(3,221,625)</u>	<u>22,880,671</u>
Total net position - ending	<u>\$ (5,478,585)</u>	<u>\$ 1,515,243</u>	<u>\$ (3,963,342)</u>	<u>\$ 32,286,836</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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 18,010,648	\$ 6,772,764	\$ 24,783,412	\$ 24,447,451
Receipts from assessments made to other funds				244,311,181
Payments to suppliers	(21,488,543)	(1,843,548)	(23,332,091)	(55,295,860)
Payments to employees	(19,217,538)	(2,702,477)	(21,920,015)	
Payments for insurance claims				(207,575,235)
Payments for assessments made by other funds	(9,384,628)	(341,182)	(9,725,810)	
Payments for other operating expenses	(1,032,244)	(2,458,989)	(3,491,233)	(1,410,165)
Net cash provided (used) by operating activities	<u>(33,112,305)</u>	<u>(573,432)</u>	<u>(33,685,737)</u>	<u>4,477,372</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	29,797,442		29,797,442	
Transfers (to) from other funds				328,973
Net cash provided by noncapital financing activities	<u>29,797,442</u>	<u>-</u>	<u>29,797,442</u>	<u>328,973</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	203,986		203,986	
Purchases of capital assets	(41,806)		(41,806)	
Principal paid on capital leases	(84,364)	(2,852)	(87,216)	
Net cash (used) by capital and related financing activities	<u>77,816</u>	<u>(2,852)</u>	<u>74,964</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	34,609		34,609	76,489
Net cash provided by investing activities	<u>34,609</u>	<u>-</u>	<u>34,609</u>	<u>76,489</u>
Net increase (decrease) in cash and cash equivalents	(3,202,438)	(576,284)	(3,778,722)	4,882,834
Cash and cash equivalents - beginning	8,820,791	2,658,881	11,479,672	63,174,896
Cash and cash equivalents - ending	<u>\$ 5,618,353</u>	<u>\$ 2,082,597</u>	<u>\$ 7,700,950</u>	<u>\$ 68,057,730</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (33,341,582)	\$ (310,475)	\$ (33,652,057)	\$ 9,378,665
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	620,722	1,483	622,205	
USDA commodities used	2,536,630		2,536,630	
Effects of changes in operating assets and liabilities:				
Receivables		(220,790)	(220,790)	
Due from other funds				(4,500,120)
Non USDA inventories	(114,291)	(37,000)	(151,291)	
Accounts payable	46,868	(3,091)	43,777	1,800
Claims payable				(303,763)
Advance premium withholdings				(99,210)
Due to other funds	(3,927,181)		(3,927,181)	
Deferred revenue	102,723	(4,653)	98,070	
Net OPEB obligation	756,305		756,305	
Compensated absences	207,501	1,094	208,595	
Net cash provided (used) by operating activities	<u>\$ (33,112,305)</u>	<u>\$ (573,432)</u>	<u>\$ (33,685,737)</u>	<u>\$ 4,477,372</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 30,898	\$ -	\$ 30,898	\$ -
USDA commodities received	(2,536,630)		(2,536,630)	

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, 2013

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 16,274,201
Investments:		
Global equities	637,478,275	
Fixed income securities	291,810,033	
Real estate	87,765,580	
Alternative investments	162,973,030	
Short-term investments	20,880,303	
Total investments	1,200,907,221	-
Accounts receivable	1,890,617	1,761,350
Due from Internal Service Fund	17,990,111	
Due from County Consolidated Retiree Health Benefits Trust	80,033,171	
Due from General Fund	1,394,292	
Inventories		168,563
Total assets	1,302,215,412	\$ 18,204,114
LIABILITIES		
Accounts payable	24,484	1,442,510
Claims payable	5,749,009	
Due to general fund	1,377,855	
Due to student groups		16,761,604
Total liabilities	7,151,348	\$ 18,204,114
NET POSITION		
Held in trust for pension/other postemployment benefits	\$ 1,295,064,064	

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, 2013

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 184,041,101
Members	51,300,933
Federal government - Medicare Part D	<u>1,950,162</u>
Total contributions	<u>237,292,196</u>
Investment earnings:	
Net decrease in fair value of investments	116,833,371
Interest and dividends	5,094,621
Securities lending income	
Total investment earnings	<u>121,927,992</u>
Less investment expense:	
Investment fees and other	(2,236,220)
Securities lending fees	
Total investment expense	<u>(2,236,220)</u>
Net investment earnings /loss	<u>119,691,772</u>
Total additions	<u>356,983,968</u>
DEDUCTIONS	
Benefits paid to plan members	139,451,913
Premiums paid to insurance companies	13,032,524
Administrative expenses	<u>1,800,695</u>
Total deductions	<u>154,285,132</u>
Change in net position	202,698,836
Net position - beginning	<u>1,092,365,228</u>
Net position - ending	<u><u>\$ 1,295,064,064</u></u>

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, 2013

Note 1	Summary of Significant Accounting Policies
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MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of Significant Accounting Policies

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

a) Reporting Entity

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

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

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

b) Basis of Presentation

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

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

MCPS reports the following major governmental funds:

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

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

MCPS reports the following major proprietary fund:

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

Additionally, MCPS reports the following fund types:

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

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

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

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

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

c) Measurement focus, basis of accounting

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

d) 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 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.

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

e) Inventories and Prepaid Items

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

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

f) Capital Assets

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

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

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

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

g) Compensated Absences

MCPS employees are permitted to accumulate earned but unused annual and sick leave benefits. It is MCPS policy to pay employees who separate from service with MCPS the accumulated amount of earned but unused annual leave and, for employees with at least five years credited service, one quarter of vested, accumulated sick leave. The amount of accumulated annual leave that may be paid is limited by each of 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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

h) Long-Term Obligations

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

i) Fund Balances

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

Nonspendable – Amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to 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, resolution, and ordinance). Capital Projects Fund resources may only be used for construction projects specifically approved by the Montgomery County Council capital improvements program. These amounts cannot be used for any other purpose unless approved by the Montgomery County Council.

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

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

j) Governmental Accounting Standards Board (GASB) Pronouncements

MCPS has adopted GASB Statement No. 63, *Financial Report of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the reporting period ending June 30, 2013. The statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The statement defined the residual of assets and deferred outflows less liabilities and deferred inflows as net position. As of June 30, 2013, MCPS had no deferred outflows of resources and deferred inflows of resources to report. The effect of this Statement on MCPS was a change in the format of the entity wide statements to include the concept of net position and has no effect on beginning net position or fund balance.

k) 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. 65, Items Previously Reported as Assets and Liabilities

The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement will become effective for the reporting period ending June 30, 2014. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 66, Technical Corrections 2012 – an amendment of GASB Statements No. 10 and 62

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions and Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.". This Statement will become effective for the reporting period ending June 30, 2014. MCPS is currently evaluating the effect of implementation of this Statement.

Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25

The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement will become effective for the reporting period ending June 30, 2014. MCPS is currently evaluating the effect of implementation of this Statement.

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

The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. This Statement will become effective for the reporting period ending June 30, 2015. MCPS is currently evaluating the effect of implementation of this Statement.

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 incorporated general, special revenue and enterprise funds is presented to the Montgomery County Council no later than March 1 and is to be adopted by the Council by May 31. In general, the county is then responsible to fund the budget so adopted, to the extent that funds are not raised from other sources (state and federal governments, etc.). The Board of Education has no power to levy taxes or to spend funds not appropriated by the Montgomery County Council.

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

The budgeted amounts reflected in the accompanying financial statements recognize budget revisions made during the year, all of which were properly reported and/or approved, as applicable. During 2013, supplemental appropriations increasing the capital budget by \$12,963,000 were approved.

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 encumbrances. The basis used to prepare the legally adopted budget differs from GAAP as follows:

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 2,092,294,928	\$ 2,090,663,849	\$ -	\$ 1,631,079
Reconciling items:				
2013 Encumbrances outstanding	-	(5,478,166)	-	5,478,166
Increase in compensated absences	-	855,883	-	(855,883)
State of Maryland retirement contributions	129,419,277	129,419,277	-	-
Montgomery County OPEB Contribution	58,853,092	58,853,092	-	-
Federal Medicare Part D contributions	1,950,162	1,950,162	-	-
Capital lease financing		13,153,020	13,153,020	-
As reported – GAAP basis	<u>\$ 2,282,517,459</u>	<u>\$ 2,289,417,117</u>	<u>\$ 13,153,020</u>	<u>\$ 6,253,362</u>

Governmental funds encumbrances outstanding at June 30, 2013 include \$5,478,166 for General Fund and \$119,218,918 for Capital Projects Fund. Capital Projects Fund encumbrances are not reflected in the governmental fund balance sheet as the offsetting revenues are not available until the expenditures on a GAAP basis are incurred.

Beginning June 15 of each fiscal year, MCPS issues purchase orders and begins shipment of inventory to various locations for items such as instructional materials, textbooks, and construction contracts that will be charged to the budget of the next fiscal year. These obligations and warehouse shipments are not reflected in the accompanying financial statements. At June 30, 2013, \$6,214,300 of such purchase orders had been issued.

3. Deposits and Investments

Cash and investments at June 30, 2013, are summarized as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 36,761,454	\$ -
Cash and cash equivalents	5,618,353	83,979
Cash-fiduciary funds	16,274,201	-
Investments – cash equivalents	68,057,730	-
Investments	-	4,598,490
Investments-fiduciary funds	1,200,907,221	-
Total	<u>\$ 1,327,618,959</u>	<u>\$ 4,682,469</u>

Deposits and Investments Summary:

Deposits	\$ 58,434,351	\$ 83,979
Investments	1,269,179,840	4,598,490
Cash on hand	4,768	-
Total	<u>\$ 1,327,618,959</u>	<u>\$ 4,682,469</u>

a) Deposits

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the reported balance of MCPS' deposits was \$58,434,351 and the bank balance was \$64,710,071. 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, 2013, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 603,018,710
Fixed income securities	283,286,737
Real estate	87,765,580
Alternative investments	162,973,030
Short-term investments	20,880,303
Subtotal Pension Trust Investments	<u>1,157,924,360</u>
OPEB Plan Trust Investments:	
Equities index funds	34,459,565
Bond index fund	8,523,296
Subtotal OPEB Plan Trust investments	<u>42,982,861</u>
Other Investments:	
Mutual funds	68,272,619
Total investments	<u>\$ 1,269,179,840</u>

Securities lending transactions. The Annotated Code of Maryland allows the MCPS Employees' Retirement and Pension System (Pension Trust) to participate in securities lending transactions. The Pension Trust used the Bank of New York Mellon (BNY), its custodial bank, to lend its securities to broker-dealers and banks pursuant to a form of borrowing agreement. During 2012, there were no losses resulting from borrower default. The securities lending program was discontinued in March 2012.

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 Barclay's US Aggregate Bond Index. The OPEB Plan Trust investment policy requires that the weighted average duration of the portfolio not vary from the Barclay's US Aggregate Bond Index by more than plus or minus 20 percent. During 2013, 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, 2013, fixed income investments had the following sensitivity to interest rates:

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 19,741,096	5.52
Government mortgage-backed securities	15,272,432	4.82
Asset-backed securities	2,835,423	1.38
Commercial mortgage-backed securities	5,291,567	2.87
Collateralized mortgage obligations	3,099,011	1.94
Corporate bonds	16,386,096	7.12
Sovereign bonds	984,279	6.12
Blackrock US debt fund	110,400,763	5.10
SSgA US aggregated bond index	109,276,070	5.46
Short-term	20,880,303	N/A
Sub-total Pension Trust Investments	<u>304,167,040</u>	
Other Investments:		
OPEB Plan Trust bond index fund	8,523,296	N/A
Total	<u>\$ 312,690,336</u>	

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

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

Pension Trust fixed-income investments at June 30, 2013, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	6.5 %	\$ 19,741,096
AAA	0.7	2,243,949
AA	6.6	19,927,436
A	2.7	8,278,088
BBB	3.4	10,440,673
BB	0.1	240,872
Not rated	80.0	243,294,926
Total	<u>100.0 %</u>	<u>\$ 304,167,040</u>

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

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

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

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

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

During 2013, 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, 2013, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
European Currency Unit	\$ 16,285	\$ 7,020,256	\$ 7,036,541
Japanese Yen	6,355		6,355
Swiss Franc	71,969		71,969
Total	\$ <u>94,609</u>	\$ <u>7,020,256</u>	\$ <u>7,114,865</u>

Commitments. At June 30, 2013, outstanding commitments with private equity fund managers were \$27,652,912.

c) Cash on Hand

At year-end, the primary government had \$4,768 on hand in petty cash accounts.

4. Interfund Receivables and Payables

Balances due to/from other funds at June 30, 2013, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 53,388
Due to the general fund from enterprise funds representing advances of pooled cash	7,021,293
Due to the internal service fund from the general fund for employee benefit plan expenditures	7,798,513
Due to pension and employee benefits trust funds representing OPEB investments held in a non irrevocable trust by the internal service fund	<u>19,384,403</u>
Total	\$ <u>34,257,597</u>

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

Due from other funds, Balance Sheet-Governmental Funds	\$	9,820,078
Due from other funds, Statement of Net Position-Proprietary Funds		132,931
Due from general fund from internal service fund, statement of Net Position-Proprietary Funds		4,920,185
Due from general and internal service funds, Statement of Net Position-Fiduciary Funds		<u>19,384,403</u>
Total	\$	<u>34,257,597</u>

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

5. Due From Employees

The \$308,675 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 74,678,201	\$ 4,621,959	\$ -	\$ 79,300,160
Construction in progress	<u>207,712,314</u>	<u>191,204,219</u>	<u>355,242,063</u>	<u>43,674,470</u>
Total nondepreciable capital assets	<u>282,390,515</u>	<u>195,826,178</u>	<u>355,242,063</u>	<u>122,974,630</u>
Depreciable capital assets:				
Buildings and improvements	2,574,880,147	307,860,758	2,264,687	2,880,476,218
Site improvements	230,362,212	65,314,475	136,700	295,539,987
Vehicles and equipment	<u>151,818,906</u>	<u>13,868,348</u>	<u>7,897,873</u>	<u>157,789,381</u>
Total depreciable capital assets	<u>2,957,061,265</u>	<u>387,043,581</u>	<u>10,299,260</u>	<u>3,333,805,586</u>
Less accumulated depreciation for:				
Buildings and improvements	832,128,269	67,033,455	2,126,244	897,035,480
Site improvements	51,266,499	5,055,288	85,100	56,236,687
Vehicles and equipment	<u>96,988,870</u>	<u>9,824,451</u>	<u>7,887,657</u>	<u>98,925,664</u>
Total accumulated depreciation	<u>980,383,638</u>	<u>81,913,194</u>	<u>10,099,001</u>	<u>1,052,197,831</u>
Total depreciable capital assets, net	<u>1,976,677,627</u>	<u>305,130,387</u>	<u>200,259</u>	<u>2,281,607,755</u>
Government activities capital assets, net	<u>\$ 2,259,068,142</u>	<u>\$ 500,956,565</u>	<u>\$ 355,442,322</u>	<u>\$ 2,404,582,385</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Depreciable capital assets:				
Vehicles and equipment	\$ 17,666,135	\$ 80,428	\$ 243,062	\$ 17,503,501
Total depreciable capital assets	<u>17,666,135</u>	<u>80,428</u>	<u>243,062</u>	<u>17,503,501</u>
Less accumulated depreciation for:				
Vehicles and equipment	<u>13,827,423</u>	<u>622,205</u>	<u>235,337</u>	<u>14,214,291</u>
Total accumulated depreciation	<u>13,827,423</u>	<u>622,205</u>	<u>235,337</u>	<u>14,214,291</u>
Business-type activities capital assets, net	<u>\$ 3,838,712</u>	<u>\$ (541,777)</u>	<u>\$ 7,725</u>	<u>\$ 3,289,210</u>

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

Governmental Activities:	
Regular instruction	\$ 69,565,145
Special education	209,040
School administration	87,651
Student transportation	7,621,135
Operation of plant	109,472
Maintenance of plant	3,694,446
Administration	626,305
Total depreciation expense-governmental activities	<u>\$ 81,913,194</u>
 Business-Type Activities:	
Food services	\$ 620,722
Real estate management	1,483
Total depreciation expense-business-type activities	<u>\$ 622,205</u>

Commitments for ongoing construction in progress at June 30, 2013, are \$119,218,918.

7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2013 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 44,646,740	\$ 457,822	\$ 45,104,562
Retainage payable	11,830,774		11,830,774
Accrued salaries and withholdings	49,406,183		49,406,183
Claims payable	19,097,953		19,097,953
Due to employees-advance premium withholding	3,377,113		3,377,113
Total accounts payable and other current liabilities	<u>\$ 128,358,763</u>	<u>\$ 457,822</u>	<u>\$ 128,816,585</u>

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$6,500,000 in 2013. Commitments for fiscal year 2014 under lease agreements are approximately \$3,500,000. Lease agreements typically provide for automatic yearly termination on July 1 of any year in which funds to meet rental payments are not appropriated.

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 2018. Lease payments, including interest, in fiscal year 2013 were \$11,780,170 for the General Fund, \$8,415,315 for the Capital Projects Fund and \$151,982 for the Enterprise Funds.

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Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Vehicles and equipment	\$ 47,776,872	\$ 429,295
Less: accumulated depreciation	(9,345,200)	(203,839)
Total	<u>\$ 38,431,672</u>	<u>\$ 225,457</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Fiscal year ending June 30	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014	\$ 17,336,399	\$ 151,982
2015	14,213,899	111,720
2016	10,071,215	427,561
2017	5,218,793	42,757
2018	<u>1,819,171</u>	<u>42,758</u>
Total minimum lease payments	48,659,477	776,778
Less : Amount representing interest	(1,568,721)	(63,692)
Present value of future minimum lease payments	<u>\$ 47,090,756</u>	<u>\$ 713,086</u>

\$27,163,506 of outstanding capital lease obligations for governmental activities at June 30, 2013, was used to acquire capital assets.

9. Long-Term Liabilities

Long-term liability activities during 2013 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 37,674,880	\$ 28,810,087	\$ 19,394,211	\$ 47,090,756	\$ 16,590,940
Compensated absences	115,339,067	3,976,147	7,762,211	111,553,003	8,232,003
Net OPEB obligation	391,224,450	77,558,152	23,509,744	445,292,858	-
Total	<u>\$ 544,258,397</u>	<u>\$ 110,344,386</u>	<u>\$ 50,666,166</u>	<u>\$ 603,936,617</u>	<u>\$ 24,822,943</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Capital leases	\$ 596,314	\$ 246,744	\$ 129,972	\$ 713,086	\$ 128,961
Compensated absences	1,926,816	272,752	64,158	2,135,410	35,509
Net OPEB obligation	5,474,725	1,085,279	328,974	6,231,030	-
Total	<u>\$ 7,997,855</u>	<u>\$ 1,604,775</u>	<u>\$ 523,104</u>	<u>\$ 9,079,526</u>	<u>\$ 164,470</u>

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

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10. Risk Management

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

The active employees' health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The postemployment health benefits plan is financed through a fiduciary fund, the OPEB Plan Trust. The funds provide plan coverage for active and retired employees under contracts with several insurance companies and health maintenance organizations (HMO's). MCPS funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 12). Claims payable of \$19,097,953 and \$5,749,009 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2013, 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 2012 and 2013 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2013				
Internal Service Fund	\$ 19,401,716	\$ 207,271,473	\$ (207,575,236)	\$ 19,097,953
Fiduciary Funds	5,709,983	68,261,291	(68,222,265)	5,749,009
Total	<u>\$ 25,111,699</u>	<u>\$ 275,532,764</u>	<u>\$ (275,797,501)</u>	<u>\$ 24,846,962</u>
2012				
Internal Service Fund	\$ 17,309,452	\$ 208,464,200	\$ (206,371,936)	\$ 19,401,716
Fiduciary Funds	5,213,129	64,517,589	(64,020,735)	5,709,983
Total	<u>\$ 22,522,581</u>	<u>\$ 272,981,789</u>	<u>\$ (270,392,671)</u>	<u>\$ 25,111,699</u>

11. Defined Benefit Pension Plans

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

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State Plans

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

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

Funding Policy. Covered employees are, by statute, required to contribute 7 percent of salary. The employer's share of contributions to these two plans for MCPS employees, which amounted to \$129,419,277, \$171,195,425, and \$169,926,025 in 2013, 2012 and 2011 respectively, was the legal responsibility of the state. MCPS has recognized in the governmental fund statements revenue and expenditures in the amount equal to the state's contribution payment.

Effective July 1, 2012, The Maryland Legislature enacted a requirement for Local Education Agencies (LEA) to contribute a portion of the employer's share. The legislation specifies the annual amount to be contributed by each LEA through fiscal 2016. As a result, MCPS contributed \$27,227,553 toward the employer's share of the contribution in 2013. For 2014, MCPS is required to contribute \$34,511,689 toward the employer's contribution.

MCPS Plan

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

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

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retirement are reduced by an early retirement factor. Benefits vest only after five years (ten years for employees hired after June 30, 2011) of creditable service.

At July 1, 2012 the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	11,606
Terminated plan members entitled to benefits but not yet receiving them	4,199
Active plan members	<u>21,804</u>
Total	<u>37,609</u>

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

Funding Policy: Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit .5 percent and 7.5 percent, respectively, of their salary to the plan. MCPS is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board of Education. Administrative costs are financed through investment earnings.

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

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

The MCPS contribution rate as a percentage of annual covered payroll for FY 2013 and FY 2014 are 5.42% and 5.74%, respectively.

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

Annual required contribution (ARC)/pension cost	\$ 74,459,960
Contributions made	<u>73,656,756</u>
Change in net pension asset	803,204
Net pension asset beginning of year	<u>(1,892,720)</u>
Net pension asset end of year	<u>\$ (1,089,516)</u>

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$ 63,707,764	102 %	\$ (1,106,600)
2012	68,921,784	101	(1,892,720)
2013	74,459,960	99	(1,089,516)

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The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation, using the projected unit credit cost method and, except as noted, the same actuarial assumptions used in the latest actuarial valuation, as follows:

Valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	July 1, 2006 and July 1, 2010 Plan Amendments: Amortized over 30 years All other: Level percentage of projected payroll. Increasing 3% per year. Open for gains/losses. Closed for other changes.
Remaining amortization period	July 1, 2006 plan amendments: 24 years July 1, 2010 plan amendments: 28 years All other: 15 years
Asset valuation method	5-year, smoothed market
Actuarial Assumptions:	
Investment rate of return	7.5%
Inflation rate	3.0%
Projected salary increases	3.25-8.25%
Cost of living adjustments	1.95% - 3%

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2012, was as follows:

Actuarial accrued liability (AAL)	\$ 1,518,207,426
Actuarial value of plan assets	1,044,907,324
Unfunded actuarial accrued liability (UAAL)	<u>\$ 473,300,102</u>
Funded ratio (actuarial value of plan assets/AAL)	68.8%
Covered payroll (active plan members)	\$ 1,342,294,369
UAAL as a percentage of covered payroll	35.3%

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

12. Postemployment Healthcare Benefits

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

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

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

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

Funding Policy: The Board of Education has the authority to establish and amend contribution requirements of the plan members and MCPS. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and MCPS contributes 64 percent toward the current cost of healthcare benefits. 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 2013, plan members and beneficiaries receiving benefits contributed \$30,119,429 (approximately 21.1 percent of current contributions). MCPS and other contributing entities' contributed \$112,334,507 (approximately 78.9 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 will be made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust. In 2013, the Montgomery County Council contributed \$58,853,092 on behalf of MCPS employees.

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of MCPS are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as supplementary information following the notes to the financial statements, 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

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OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$ 161,224,000
Interest on net OPEB obligation	29,753,938
Adjustment to annual required Contribution	<u>(23,838,718)</u>
Annual OPEB cost	167,139,220
Contributions made	<u>112,334,507</u>
Increase in net OPEB obligation	54,804,713
Net OPEB obligation – beginning of year	<u>396,719,175</u>
Net OPEB obligation – end of year	<u>\$ 451,523,888</u>

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

Year ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2011	\$ 135,648,398	36.0%	\$ 304,556,120
2012	165,765,037	44.4	396,719,175
2013	167,139,220	67.2	451,523,888

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

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

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2010
Actuarial cost method	Projected unit credit
Investment return	7.5%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	8.0%, 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%

13. Trust Plans Condensed Financial Statements

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 1,157,924,360	\$ 144,291,052	\$ 1,302,215,412
Total assets	<u>1,157,924,360</u>	<u>144,291,052</u>	<u>1,302,215,412</u>
Liabilities:			
Total liabilities	<u>1,377,855</u>	<u>5,773,493</u>	<u>7,151,348</u>
Net Position:			
Held in trust for pension/ Other postemployment benefits	\$ <u>1,156,546,505</u>	\$ <u>138,517,559</u>	\$ <u>1,295,064,064</u>

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 94,838,260	\$ 142,453,936	\$ 237,292,196
Net investment earnings	113,756,949	5,934,823	119,691,772
Total additions	<u>208,595,209</u>	<u>148,388,759</u>	<u>356,983,968</u>
Deductions:			
Benefit and premium payments	71,190,622	81,293,815	152,484,437
Administrative expenses	1,529,970	270,725	1,800,695
Total deductions	<u>72,720,592</u>	<u>81,564,540</u>	<u>154,285,132</u>
Change in net position	135,874,617	66,824,219	202,698,836
Net position - beginning	1,020,671,888	71,693,340	1,092,365,228
Net position - ending	<u>\$ 1,156,546,505</u>	<u>\$ 138,517,559</u>	<u>\$ 1,295,064,064</u>

14. Contingencies

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

MONTGOMERY COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

MCPS EMPLOYEES' RETIREMENT AND PENSION SYSTEM

Schedule of Funding Progress
(000's omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2005	\$ 729,231	\$ 905,339	\$ 176,108	80.5%	\$ 1,080,319	16.3%
7/1/2006	762,232	1,062,251	300,019	71.8	1,169,275	25.7
7/1/2007	855,719	1,164,451	308,732	73.5	1,215,302	25.4
7/1/2008	941,919	1,260,260	318,344	74.7	1,327,593	24.0
7/1/2009	966,296	1,344,071	377,778	71.9	1,352,101	27.9
7/1/2010	979,478	1,420,871	441,393	68.9	1,346,387	32.8
7/1/2011	1,019,669	1,454,465	434,796	70.1	1,306,605	33.3
7/1/2012	1,044,907	1,518,207	473,300	68.8	1,342,294	35.3

Schedule of Employer Contributions
(000'S omitted)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2006	\$ 36,795	100%	\$ 4,506
2007	57,569	101	4,037
2008	58,502	101	3,723
2009	60,830	101	3,098
2010	60,024	105	-
2011	63,708	102	(1,107)
2012	68,922	101	(1,893)
2013	74,460	99	(1,090)

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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/07	\$ -	\$ 1,299,106	\$ 1,299,106	0.0%	\$ 1,215,302	106.9%
7/01/08	16,662	1,256,907	1,240,207	1.3	1,327,593	93.4
7/01/10	33,156	1,568,612	1,535,456	2.1	1,346,387	114.0

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

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

INTENTIONALLY BLANK

SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2013

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 162,305,723	\$ 166,669,723	98,516,217	\$ (68,153,506)
State of Maryland	59,965,060	65,065,060	54,921,235	(10,143,825)
Federal	823,049	2,865,049	2,445,441	(419,608)
Other sources	<u>368,285</u>	<u>1,825,285</u>	<u>96,045</u>	<u>(1,729,240)</u>
Total revenues	223,462,117	236,425,117	155,978,938	(80,446,179)
Expenditures and encumbrances:				
Capital outlay	<u>223,462,117</u>	<u>236,425,117</u>	<u>155,978,938</u>	<u>80,446,179</u>
Total expenditures and encumbrances	<u>223,462,117</u>	<u>236,425,117</u>	<u>155,978,938</u>	<u>80,446,179</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>

**MONTGOMERY COUNTY PUBLIC SCHOOL
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2013**

FMS Award	Project Name	Project Authorization	Expended to Jun 30, 2013	Committed	Available for Future Expenditure
000000	Unliquidated Surplus	\$ 1,352,600	\$ -	\$ -	\$ 1,352,600
006503	Water and Indoor Air Quality Improvements	1,236,076	395,000	506,052	335,024
016532	Fire Safety Code Upgrades	648,377	269,474	167,910	210,993
026503	Seven Locks Elementary School Add/Modernization	12,972,529	12,929,282	32,596	10,651
036510	Technology Modernization	12,625,283	-	1,433,933	11,191,350
056501	Restroom Renovations	498,022	255,066	(163,005)	405,961
056504	Fields Road Elementary School Addition	9,257,200	9,257,200	-	-
076506	Building Modifications and Program Improvements	2,828,629	878,880	931,583	1,018,166
096501	Fairland Elementary School	296,775	296,775	-	-
096503	Harmony Hills Elementary School	5,474,000	5,021,572	29,160	423,268
096505	Montgomery Knolls Elementary School	7,164	7,164	-	-
096506	Rock View Elementary School	5,470,000	4,702,325	4,784	762,891
096508	Whetstone Elementary School	7,457,000	6,449,343	401,579	606,078
106500	County Water Quality Compliance	3,100	-	-	3,100
116503	Bradley Hills Elementary School Addition 2013	17,949,000	13,795,647	3,977,383	175,970
116505	Clarksburg High School	755,000	4,417	690,940	59,643
116506	Clarksburg/Damascus Middle School (New)	2,614,000	546,566	1,304,708	762,726
116507	Darnestown Elementary School Addition 2013	15,400,000	13,677,888	1,669,901	52,211
116508	Georgian Forest Elementary School Addition 2013	10,620,000	7,836,384	2,089,285	694,331
116510	Viers Mill Elementary School Addition 2013	11,177,000	10,074,998	692,064	409,938
116512	Westbrook Elementary School Addition 2013	11,805,000	9,113,765	2,537,798	153,437
116513	Wyngate Elementary School Addition 2013	10,230,000	8,295,877	400,666	1,533,457
136500	Arcola Elementary School	281,000	21,662	254,375	4,963
136501	Bethesda Elementary School	286,000	168,066	107,540	10,394
136504	North Chevy Chase Elementary School	459,000	183,169	148,331	127,500
136506	Rosemary Hills Elementary School	395,000	268,545	110,616	15,839
136510	Modifications to Holding, Special Education & Alternative Schools	1,437,127	-	246,882	1,190,245
546034	Land Acquisition	2,089,724	-	-	2,089,724
746032	Design and Construction Management	649,207	-	11,913	637,294
766995	Roof Replacement	10,195,527	2,032,195	4,174,821	3,988,511
796222	Energy Conservation	5,763,291	-	137,222	5,626,069
796235	ADA Compliance	4,223,493	-	116,099	4,107,394
816633	HVAC Replacement	23,993,688	9,968,259	7,335,748	6,689,681
816695	Asbestos Abatement	599,373	-	105,884	493,489
846540	Relocatable Classrooms	3,216,298	-	1,866,883	1,349,415
876544	Stadium Lighting	350,872	-	-	350,872
886550	School Gymnasiums	5,117,459	4,378,418	50,545	688,496
896586	Planned Life Cycle Asset Replacement	3,322,005	1,549,123	1,661,335	111,547
916587	Rehab/Renovation of Closed Schools	21,660,911	20,714,729	72,717	873,465
926557	School Security	94,829	-	12,700	82,129
926575	Current Replacements/Modernizations	400,497,964	326,934,289	57,454,140	16,109,535
956547	Educational Technology (Global Access)	12	-	0	12
966553	Facility Planning	1,054,963	-	628,640	426,323
975051	Improved (Safe) Access to Schools	3,241,127	1,006,453	96,771	2,137,903
996552	Current Modernizations-Walter Johnson HS Turf Contribution	335,000	330,088	-	4,912
996562	Carderock Springs ES Educational Foundation	154,648	-	-	154,648
036510	The Schools and Libraries Program of the Universal Service Fund	339,621	-	-	339,621
116504	Clarksburg Cluster ES (Clarksburg Village Site #1)	27,267,000	2,302,787	20,460,922	4,503,291
116511	Waters Landing ES Addition 2014	8,427,000	863,401	6,369,274	1,194,325
126500	WSSC Compliance 2012	4,310,627	-	962,397	3,348,230
79622	2011 Energy Conservation - ARRA Grant	391,230	303,598	7,645	79,987
956550	Stormwater Management	1,200,154	-	118,181	1,081,973
Total Open & Interim Projects		672,030,905	474,832,405	119,218,918	77,979,582
Capitalized land, equipment and furniture, and items not capitalized		(14,026,583)	(14,026,583)		
Interim closing of open projects **		(417,131,352)	(417,131,352)		
Residual building value transfer ***					
Total construction in progress		\$ 240,872,970	\$ 43,674,470	\$ 119,218,918	\$ 77,979,582

* 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, 2013

** 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, 2013

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,457,591	\$ 1,457,591	\$ 1,457,591	\$ -
Total revenues	-	1,457,591	1,457,591	1,457,591	-
Expenditures and encumbrances:					
Community services	-	1,457,591	\$ 1,457,591	1,379,731	77,860
Total expenditures and encumbrances	-	1,457,591	1,457,591	1,379,731	77,860
Excess of revenues over expenditures and encumbrances	-		-	77,860	77,860
Fund balance - beginning	-		-	287,268	287,268
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	365,128	<u>\$ 365,128</u>
Reconciliation to GAAP fund balance: 2013 encumbrances outstanding				<u>-</u>	
Fund balance - GAAP basis				<u>\$ 365,128</u>	

NONMAJOR ENTERPRISE FUNDS

June 30, 2013

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, 2013

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 829,965	\$ 147,404	\$ 1,105,228	\$ 2,082,597
Montgomery County			-	-
Accounts receivable	279,439	57,217	57,508	394,164
Due from other funds	25,873	22,522	84,536	132,931
Inventories			40,270	40,270
Total current assets	<u>1,135,277</u>	<u>227,143</u>	<u>1,287,542</u>	<u>2,649,962</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements	-			-
Machinery and equipment	741			741
Total noncurrent assets	<u>741</u>	<u>-</u>	<u>-</u>	<u>741</u>
Total assets	<u>1,136,018</u>	<u>227,143</u>	<u>1,287,542</u>	<u>2,650,703</u>
Liabilities				
Current liabilities:				
Accounts payable	140,619		12,800	153,419
Due to other funds	-	-	-	-
Unearned revenue			395,270	395,270
Capital leases - current	2,993			2,993
Total current liabilities	<u>143,612</u>	<u>-</u>	<u>408,070</u>	<u>551,682</u>
Noncurrent liabilities:				
Capital lease payable			-	-
Capital leases payable	322,281			322,281
Compensated absences	59,195	87,676	114,626	261,497
Total noncurrent liabilities	<u>381,476</u>	<u>87,676</u>	<u>114,626</u>	<u>583,778</u>
Total liabilities	<u>525,088</u>	<u>87,676</u>	<u>522,696</u>	<u>1,135,460</u>
Net Position				
Net investment in capital assets	741		-	741
Unrestricted	610,189	139,467	764,846	1,514,502
Total net position	<u>\$ 610,930</u>	<u>\$ 139,467</u>	<u>\$ 764,846</u>	<u>\$ 1,515,243</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, 2013

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 3,026,997	\$ 1,735,962	\$ 2,235,250	\$ 6,998,209
Total operating revenues	<u>3,026,997</u>	<u>1,735,962</u>	<u>2,235,250</u>	<u>6,998,209</u>
Operating expenses:				
Salaries and wages	376,893	1,067,966	1,057,397	2,502,256
Contracted services	97,936	38,136	808,660	944,732
Supplies and materials	41,962	406,242	407,935	856,139
Other charges	2,521,284	152,605	330,185	3,004,074
Depreciation	1,483			1,483
Total operating expenses	<u>3,039,558</u>	<u>1,664,949</u>	<u>2,604,177</u>	<u>7,308,684</u>
Operating income (loss)	<u>(12,561)</u>	<u>71,013</u>	<u>(368,927)</u>	<u>(310,475)</u>
Change in net position	(12,561)	71,013	(368,927)	(310,475)
Total net position - beginning	623,491	68,454	1,133,773	1,825,718
Total net position - ending	<u>\$ 610,930</u>	<u>\$ 139,467</u>	<u>\$ 764,846</u>	<u>\$ 1,515,243</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,830,968	\$ 1,763,599	\$ 2,178,197	\$ 6,772,764
Payments to suppliers	(141,511)	(444,378)	(1,257,659)	(1,843,548)
Payments to employees	(424,437)	(1,141,718)	(1,136,322)	(2,702,477)
Payments for assessments made by other funds	(112,239)	(72,005)	(156,938)	(341,182)
Payments for other operating expenses	<u>(2,377,990)</u>		<u>(80,999)</u>	<u>(2,458,989)</u>
Net cash provided (used) by operating activities	(225,209)	105,498	(453,721)	(573,432)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases				
Purchases of capital assets				
Principal paid on capital leases	<u>(2,852)</u>			<u>(2,852)</u>
Net cash (used) by capital and related financing activities	<u>(2,852)</u>	-	-	<u>(2,852)</u>
Increase (Decrease) in cash and cash equivalents	(228,061)	105,498	(453,721)	(576,284)
Cash and cash equivalents - beginning	1,058,026	41,906	1,558,949	2,658,881
Cash and cash equivalents - ending	<u>\$ 829,965</u>	<u>\$ 147,404</u>	<u>\$ 1,105,228</u>	<u>\$ 2,082,597</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (12,561)	\$ 71,013	\$ (368,927)	\$ (310,475)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,483			1,483
Effects of changes in operating assets and liabilities:				
Receivables	(196,027)	27,637	(52,400)	(220,790)
Accounts payable	(1,614)		(1,477)	(3,091)
Due to other funds				
Inventories			(37,000)	(37,000)
Unearned revenue			(4,653)	(4,653)
Compensated absences	(16,490)	6,848	10,736	1,094
Net cash provided (used) by operating activities	<u>\$ (225,209)</u>	<u>\$ 105,498</u>	<u>\$ (453,721)</u>	<u>\$ (573,432)</u>

FIDUCIARY FUNDS

June 30, 2013

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, 2013

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Global equities	\$ 603,018,710	\$ 34,459,565	\$ 637,478,275
Fixed income securities	283,286,737	8,523,296	291,810,033
Real estate	87,765,580		87,765,580
Alternative investments	162,973,030		162,973,030
Short-term investments	20,880,303		20,880,303
Total investments	<u>1,157,924,360</u>	<u>42,982,861</u>	<u>1,200,907,221</u>
Accounts receivable		1,890,617	1,890,617
Due from County Consolidated Retiree Health Benefits Trust		80,033,171	80,033,171
Due from Internal Service Fund		17,990,111	17,990,111
Due from General Fund		1,394,292	1,394,292
Total assets	<u>1,157,924,360</u>	<u>144,291,052</u>	<u>1,302,215,412</u>
LIABILITIES			
Accounts payable		24,484	24,484
Claims payable		5,749,009	5,749,009
Due to general fund	1,377,855	-	1,377,855
Total liabilities	<u>1,377,855</u>	<u>5,773,493</u>	<u>7,151,348</u>
NET POSITION			
Held in trust for pension/other postemployment benefits	<u>\$ 1,156,546,505</u>	<u>\$ 138,517,559</u>	<u>\$ 1,295,064,064</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, 2013

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 73,656,756	110,384,345	\$ 184,041,101
Members	21,181,504	30,119,429	51,300,933
Federal government - Medicare Part D		1,950,162	1,950,162
Total contributions	<u>94,838,260</u>	<u>142,453,936</u>	<u>237,292,196</u>
Investment earnings:			
Net increase in fair value of investments	112,953,320	3,880,051	116,833,371
Interest and dividends	3,039,849	2,054,772	5,094,621
Total investment income	<u>115,993,169</u>	<u>5,934,823</u>	<u>121,927,992</u>
Less investment expense:			
Investment fees and other	(2,236,220)		(2,236,220)
Total investment expense	<u>(2,236,220)</u>	<u>-</u>	<u>(2,236,220)</u>
Net investment earnings	<u>113,756,949</u>	<u>5,934,823</u>	<u>119,691,772</u>
Total additions	<u>208,595,209</u>	<u>148,388,759</u>	<u>356,983,968</u>
DEDUCTIONS			
Benefits paid to plan members	71,190,622	68,261,291	139,451,913
Premiums paid to insurance companies		13,032,524	13,032,524
Administrative expenses	1,529,970	270,725	1,800,695
Total deductions	<u>72,720,592</u>	<u>81,564,540</u>	<u>154,285,132</u>
Change in net assets	135,874,617	66,824,219	202,698,836
Net position - beginning	<u>1,020,671,888</u>	<u>71,693,340</u>	<u>1,092,365,228</u>
Net position - ending	<u>\$ 1,156,546,505</u>	<u>\$ 138,517,559</u>	<u>\$ 1,295,064,064</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and investments	\$ 16,446,639	\$ 33,842,020	\$ 34,014,458	\$ 16,274,201
Accounts receivable	1,732,483	1,761,350	1,732,483	1,761,350
Inventories	<u>159,169</u>	<u>168,563</u>	<u>159,169</u>	<u>168,563</u>
Total assets	<u>\$ 18,338,291</u>	<u>\$ 35,771,933</u>	<u>\$ 35,906,110</u>	<u>\$ 18,204,114</u>
Liabilities				
Accounts payable	\$ 1,572,989	\$ 1,442,510	\$ 1,572,989	\$ 1,442,510
Due to student groups	<u>16,765,302</u>	<u>34,329,423</u>	<u>34,333,121</u>	<u>16,761,604</u>
Total liabilities	<u>\$ 18,338,291</u>	<u>\$ 35,771,933</u>	<u>\$ 35,906,110</u>	<u>\$ 18,204,114</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	81-89
Revenue Capacity Since MCPS revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax.	90-96
Debt Capacity Since MCPS construction funding is primarily provided by Montgomery County, these schedules of the county's debt capacity assist the reader in assessing the affordability of Montgomery County's current levels of outstanding debt and Montgomery County's ability to issue additional debt in the future.	97-101
Demographic and Economic Information Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which MCPS' financial activities take place.	102-103
Operating Information These schedules contain select operating indicators to help the reader understand how the information in MCPS' financial report relates to the services MCPS provides and the activities it performs.	105-108

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,265,348,107	\$ 1,347,324,600	\$ 1,509,775,923	\$ 1,635,087,567	\$ 1,765,406,793
Unrestricted	(90,516,500)	(92,864,100)	(96,127,805)	(85,448,126)	(151,573,901)
Total governmental activities net assets	<u>\$ 1,174,831,607</u>	<u>\$ 1,254,460,500</u>	<u>\$ 1,413,648,118</u>	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 4,829,951	\$ 5,182,162	\$ 5,052,458	\$ 5,215,924	\$ 5,019,355
Unrestricted	(2,850,401)	(2,755,479)	(3,354,942)	(3,628,772)	(5,207,535)
Total business-type activities net assets	<u>\$ 1,979,550</u>	<u>\$ 2,426,683</u>	<u>\$ 1,697,516</u>	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,270,178,058	\$ 1,352,506,762	\$ 1,514,828,381	\$ 1,640,303,491	\$ 1,770,426,148
Unrestricted	(93,366,901)	(95,619,579)	(99,482,747)	(89,076,898)	(156,781,436)
Total primary government net assets	<u>\$ 1,176,811,157</u>	<u>\$ 1,256,887,183</u>	<u>\$ 1,415,345,634</u>	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</u>
<hr/>					
	2009	2010	2011	2012	2013
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,901,060,879	\$ 1,972,419,863	\$ 2,073,974,398	\$ 2,234,805,426	\$ 2,377,418,879
Unrestricted	(202,703,251)	(303,827,808)	(367,057,361)	(446,600,594)	(487,587,959)
Total governmental activities net assets	<u>\$ 1,698,357,628</u>	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>	<u>\$ 1,788,204,832</u>	<u>\$ 1,889,830,920</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 4,231,936	\$ 3,951,552	\$ 3,759,753	\$ 3,570,524	\$ 3,105,386
Unrestricted	(6,415,787)	(7,848,406)	(7,483,923)	(6,792,149)	(7,068,728)
Total business-type activities net assets	<u>\$ (2,183,851)</u>	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>	<u>\$ (3,221,625)</u>	<u>\$ (3,963,342)</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,905,292,815	\$ 1,976,371,415	\$ 2,077,734,151	\$ 2,238,375,950	\$ 2,380,524,265
Unrestricted	(209,119,038)	(311,676,214)	(374,541,284)	(453,392,743)	(494,656,687)
Total primary government net assets	<u>\$ 1,696,173,777</u>	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>	<u>\$ 1,784,983,207</u>	<u>\$ 1,885,867,578</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 983,832,228	\$ 1,038,043,643	\$ 1,088,588,014	\$ 1,160,855,790
Special education	226,446,611	247,338,455	266,912,970	293,576,065
School administration	126,636,268	135,691,110	146,798,786	160,163,136
Student personnel services	11,411,475	12,226,245	13,416,179	13,944,662
Health services	36,994	39,433	42,357	53,540
Total instruction	<u>1,348,363,576</u>	<u>1,433,338,886</u>	<u>1,515,758,306</u>	<u>1,628,593,193</u>
Support services:				
Student transportation	80,078,067	91,056,536	96,768,183	100,930,995
Operation of plant	102,880,452	109,613,171	120,228,320	130,303,214
Maintenance of plant	48,730,155	47,584,397	48,872,594	55,832,785
Administration	37,010,469	39,156,106	54,688,573	63,053,976
Community services	1,641,493	1,625,698	2,110,374	2,176,910
Interest on capital leases			1,372,132	1,742,075
Total support services	<u>270,340,636</u>	<u>289,035,908</u>	<u>324,040,176</u>	<u>354,039,955</u>
Total governmental activities expenses	<u>1,618,704,212</u>	<u>1,722,374,794</u>	<u>1,839,798,482</u>	<u>1,982,633,148</u>
Business-type activities				
Food services	37,426,902	39,511,622	40,757,291	42,161,738
Adult education	4,110,281	1,893,599	1,516,881	(48,642)
Real estate management	1,482,541	1,537,420	2,102,497	2,926,351
Field trips	1,246,915	1,355,538	1,579,472	1,629,297
Entrepreneurial activities	1,211,760	1,316,459	1,266,811	1,376,930
Total business-type activities expenses	<u>45,478,399</u>	<u>45,614,638</u>	<u>47,222,952</u>	<u>48,045,674</u>
Total primary government expenses	<u>\$ 1,664,182,611</u>	<u>\$ 1,767,989,432</u>	<u>\$ 1,887,021,434</u>	<u>\$ 2,030,678,822</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 2,661,370	\$ 5,028,734	5,164,549	5,249,818
Operating grants and contributions	71,649,502	79,073,587	81,343,855	83,451,485
Capital grants and contributions	50,595,212	41,579,402	41,802,954	52,273,814
Total governmental activities program revenues	<u>124,906,084</u>	<u>125,681,723</u>	<u>128,311,358</u>	<u>140,975,117</u>
Business-type activities				
Charges for services:				
Food services	20,089,923	21,240,579	21,314,053	22,008,945
Adult education	3,770,253	2,047,577	1,614,777	-
Real estate management	1,724,390	2,019,558	2,212,736	2,625,031
Field trips	1,318,661	1,547,519	1,491,097	1,543,101
Entrepreneurial activities	798,070	1,023,446	1,461,574	1,436,778
Operating grants and contributions	15,726,742	16,892,422	17,268,485	18,798,444
Capital grants and contributions	450,005	938,776	415,248	655,145
Total business-type activities program revenues	<u>43,866,044</u>	<u>45,709,877</u>	<u>45,777,970</u>	<u>47,067,444</u>
Total primary government program revenues	<u>\$ 168,772,128</u>	<u>\$ 171,391,600</u>	<u>\$ 174,089,328</u>	<u>\$ 188,042,561</u>
Net (expense)/revenue				
Governmental activities	(1,493,798,128)	(1,596,693,071)	(1,711,487,124)	(1,841,658,031)
Business-type activities	(1,612,355)	95,239	(1,444,982)	(978,230)
	<u>(1,495,410,483)</u>	<u>(1,596,597,832)</u>	<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,183,680,350	\$ 1,314,971,597	1,457,150,730	1,507,402,033
State of Maryland	340,846,285	361,020,873	411,828,686	468,650,222
Federal government	262,516	88,274	1,027,578	539,841
Investment Earnings	76,537	155,210	632,532	929,696
Other revenue	8,019	70,671	-	-
Transfers	16,584	15,339	35,216	127,762
Total government activities	<u>1,524,890,291</u>	<u>1,676,321,964</u>	<u>1,870,674,742</u>	<u>1,977,649,354</u>
Business-type activities				
Investment Earnings	97,850	367,233	751,031	995,628
Transfers	(16,584)	(15,339)	(35,216)	(127,762)
Total business-type activities	<u>81,266</u>	<u>351,894</u>	<u>715,815</u>	<u>867,866</u>
Total primary government	<u>\$ 1,524,971,557</u>	<u>\$ 1,676,673,858</u>	<u>\$ 1,871,390,557</u>	<u>\$ 1,978,517,220</u>
Change in Net Assets				
Governmental activities	31,092,163	79,628,893	159,187,618	135,991,323
Business-type activities	(1,531,089)	447,133	(729,167)	(110,364)
Total primary government	<u>\$ 29,561,074</u>	<u>\$ 80,076,026</u>	<u>\$ 158,458,451</u>	<u>\$ 135,880,959</u>

2008	2009	2010	2011	2012	2013
\$ 1,300,214,158	\$ 1,344,807,372	\$ 1,382,022,729	\$ 1,395,636,699	\$ 1,401,069,607	\$ 1,425,776,788
337,981,003	357,740,728	382,151,880	381,185,135	392,862,396	398,480,390
183,915,725	192,005,481	195,915,953	198,448,243	202,692,468	204,795,867
15,923,429	16,709,007	16,590,455	15,726,065	16,251,838	15,992,374
39,372	31,477	40,091	17,919	17,911	20,074
<u>1,838,073,687</u>	<u>1,911,294,065</u>	<u>1,976,721,108</u>	<u>1,991,014,061</u>	<u>2,012,894,220</u>	<u>2,045,065,493</u>
117,962,721	122,633,059	125,139,197	126,428,398	129,115,379	129,890,569
144,731,021	145,189,882	153,349,143	149,740,270	147,289,980	150,099,667
56,469,713	57,587,517	59,180,621	60,799,687	64,129,559	69,624,065
59,171,446	63,094,864	60,891,077	58,701,766	57,291,531	58,481,042
2,470,942	2,168,062	2,291,223	2,129,034	2,090,179	2,548,923
1,970,020	2,040,350	1,750,321	1,197,169	897,345	801,273
<u>382,775,863</u>	<u>392,713,734</u>	<u>402,601,582</u>	<u>398,996,324</u>	<u>400,813,973</u>	<u>411,445,539</u>
<u>2,220,849,550</u>	<u>2,304,007,799</u>	<u>2,379,322,690</u>	<u>2,390,010,385</u>	<u>2,413,708,193</u>	<u>2,456,511,032</u>
46,125,487	46,457,265	45,687,584	48,218,118	49,720,564	51,249,507
2,290,554	2,489,426	2,591,862	3,055,284	3,220,047	3,039,558
1,792,660	1,772,511	1,697,423	1,751,109	1,770,547	1,664,949
1,619,087	1,444,433	2,001,442	2,031,272	1,983,788	2,604,177
<u>51,827,788</u>	<u>52,163,635</u>	<u>51,978,311</u>	<u>55,055,783</u>	<u>56,694,946</u>	<u>58,558,191</u>
<u>\$ 2,272,677,338</u>	<u>\$ 2,356,171,434</u>	<u>\$ 2,431,301,001</u>	<u>\$ 2,445,066,168</u>	<u>\$ 2,470,403,139</u>	<u>\$ 2,515,069,223</u>
5,332,403	5,033,518	4,616,997	4,111,198	3,820,871	3,871,684
84,349,531	77,829,710	126,099,052	112,581,279	83,474,771	77,994,243
48,116,266	48,858,868	44,257,276	54,258,286	59,387,969	67,644,476
<u>137,798,200</u>	<u>131,722,096</u>	<u>174,973,325</u>	<u>170,950,763</u>	<u>146,683,611</u>	<u>149,510,403</u>
22,219,798	22,191,730	18,621,337	18,577,749	19,252,693	17,907,925
2,765,022	2,397,720	2,667,604	2,812,240	2,892,122	3,026,997
1,722,208	1,578,741	1,543,871	1,671,121	1,778,378	1,735,962
1,866,786	1,872,573	1,849,158	3,633,389	2,186,618	2,235,250
19,955,950	21,564,749	24,871,047	27,800,835	30,590,480	32,844,833
927,082	405,452	641,790	696,950	464,308	30,898
<u>49,456,846</u>	<u>50,010,965</u>	<u>50,194,807</u>	<u>55,192,284</u>	<u>57,164,599</u>	<u>57,781,865</u>
<u>\$ 187,255,046</u>	<u>\$ 181,733,061</u>	<u>\$ 225,168,132</u>	<u>\$ 226,143,047</u>	<u>\$ 203,848,210</u>	<u>\$ 207,292,268</u>
(2,083,051,350)	(2,172,285,703)	(2,204,349,365)	(2,219,059,622)	(2,267,024,582)	(2,307,000,629)
(2,370,942)	(2,152,670)	(1,783,504)	136,501	469,653	(776,326)
<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>	<u>(2,218,923,121)</u>	<u>(2,266,554,929)</u>	<u>(2,307,776,955)</u>
\$ 1,631,686,296	\$ 1,656,384,034	\$ 1,550,665,251	\$ 1,553,166,556	\$ 1,581,675,500	\$ 1,633,828,866
510,142,429	597,009,068	616,478,426	668,581,752	761,695,928	771,174,249
4,015,914	2,728,591	6,454,228	35,268,390	4,414,871	2,758,250
1,378,734	684,245	985,888	367,906	526,078	865,352
21,428	4,501	-	-	-	-
<u>2,147,244,801</u>	<u>2,256,810,439</u>	<u>2,174,583,793</u>	<u>2,257,384,604</u>	<u>2,348,312,377</u>	<u>2,408,626,717</u>
617,038	161,500	70,501	36,183	32,892	34,609
(21,428)	(4,501)	-	-	-	-
595,610	156,999	70,501	36,183	32,892	34,609
<u>\$ 2,147,840,411</u>	<u>\$ 2,256,967,438</u>	<u>\$ 2,174,654,294</u>	<u>\$ 2,257,420,787</u>	<u>\$ 2,348,345,269</u>	<u>\$ 2,408,661,326</u>
64,193,451	84,524,736	(29,765,572)	38,324,982	81,287,795	101,626,088
(1,775,332)	(1,995,671)	(1,713,003)	172,684	502,545	(741,717)
<u>\$ 62,418,119</u>	<u>\$ 82,529,065</u>	<u>\$ (31,478,575)</u>	<u>\$ 38,497,666</u>	<u>\$ 81,790,340</u>	<u>\$ 100,884,371</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund:					
Nonspendable	\$ 7,511,493	\$ 7,252,120	\$ 7,758,899	\$ 6,663,737	\$ 6,870,750
Assigned	3,868,022	5,945,116	14,230,646	10,577,103	5,701,090
Unassigned	<u>(171,197)</u>	<u>3,263,757</u>	<u>(3,047,043)</u>	<u>4,879,365</u>	<u>16,389,504</u>
Total general fund	<u>\$ 11,208,318</u>	<u>\$ 16,460,993</u>	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>	<u>\$ 28,961,344</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 92,848	\$ 92,086	\$ 94,711	\$ 888,399	\$ 136,374
Committed - Capital projects fund	<u>(10,802,854)</u>	<u>(12,604,232)</u>	<u>(13,472,262)</u>	<u>(14,392,596)</u>	<u>(13,796,508)</u>
Total all other governmental funds	<u>\$ (10,710,006)</u>	<u>\$ (12,512,146)</u>	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>	<u>\$ (13,660,134)</u>
	2009	2010	2011	2012	2013
General Fund:					
Nonspendable	\$ 6,289,918	\$ 7,221,461	\$ 6,567,714	\$ 7,310,053	\$ 7,745,654
Assigned	6,183,758	6,104,012	6,370,994	7,069,165	5,478,166
Unassigned	<u>44,346,530</u>	<u>206,026</u>	<u>16,999,947</u>	<u>28,660,135</u>	<u>36,068,895</u>
Total general fund	<u>\$ 56,820,206</u>	<u>\$ 13,531,499</u>	<u>\$ 29,938,655</u>	<u>\$ 43,039,353</u>	<u>\$ 49,292,715</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 245,077	\$ 265,873	\$ 279,707	\$ 287,268	\$ 365,128
Committed - Capital projects fund	<u>(13,858,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ (13,613,294)</u>	<u>\$ 265,873</u>	<u>\$ 279,707</u>	<u>\$ 287,268</u>	<u>\$ 365,128</u>

Information for fiscal years 2004 to 2010 have been restated to conform to the new fund balance classifications established by GASB Statement No. 54 *Fund Balance Reporting and Government type Definitions*.

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,233,511,048	\$ 1,356,035,517	\$ 1,498,345,349	\$ 1,558,647,046
State of Maryland	350,931,179	366,552,766	417,013,817	474,951,016
Federal Government	59,737,638	70,605,126	74,573,378	75,177,789
Other	4,970,961	8,194,694	8,999,000	9,547,103
Total Revenue	<u>1,649,150,826</u>	<u>1,801,388,103</u>	<u>1,998,931,544</u>	<u>2,118,322,954</u>
Expenditures				
Current:				
Administration	26,965,317	28,439,926	36,625,851	43,163,115
Mid-level administration	96,088,892	101,729,773	109,442,018	118,650,653
Instructional salaries and wages	654,152,515	686,486,182	719,934,184	760,940,050
Instructional textbooks and supplies	25,646,985	28,751,450	33,245,147	36,680,260
Other instructional costs	13,133,928	22,110,271	16,855,159	18,687,106
Special education	178,834,273	193,353,038	207,149,010	227,023,151
Student personnel services	8,623,619	9,111,032	9,936,670	10,264,691
Health services	32,474	34,127	36,530	44,821
Student transportation	59,958,528	71,323,679	79,509,617	81,298,925
Operation of plant	80,456,510	85,739,412	92,411,740	102,598,137
Maintenance of plant	25,714,753	26,776,709	28,718,901	30,815,334
Fixed charges	346,990,115	388,327,283	419,075,926	463,825,658
Community services	1,360,072	1,326,568	1,731,259	1,750,520
Debt service:				
Capital lease principal	15,124,117	19,300,633	22,597,421	23,997,477
Capital lease interest	1,324,991	1,262,669	1,372,132	1,742,075
Capital outlay	128,053,894	159,336,986	244,402,835	218,839,987
Total expenditures	<u>1,662,460,983</u>	<u>1,823,409,738</u>	<u>2,023,044,400</u>	<u>2,140,321,960</u>
Excess (deficiency) of Revenues over expenditures	(13,310,157)	(22,021,635)	(24,112,856)	(21,999,006)
Other financing sources				
Capital lease financing	16,783,521	25,456,831	25,693,744	24,922,301
Technology loans from Montgomery County				
Transfers in	16,584	15,339	35,216	127,762
Transfers out	593,755			
Total other financing sources	<u>17,393,860</u>	<u>25,472,170</u>	<u>25,728,960</u>	<u>25,050,063</u>
Net change in fund balances	<u>\$ 4,083,703</u>	<u>\$ 3,450,535</u>	<u>\$ 1,616,104</u>	<u>\$ 3,051,057</u>
Debt service as a percentage of noncapital expenditures	1.1%	1.3%	1.4%	1.4%

2008	2009	2010	2011	2012	2013
\$ 1,633,111,352	\$ 1,704,483,481	\$ 1,593,469,961	\$ 1,598,298,058	\$ 1,634,325,263	\$ 1,697,311,813
561,788,026	602,257,843	619,385,100	672,165,098	765,912,232	776,187,259
81,098,923	73,709,427	127,230,073	146,479,166	88,309,979	77,668,057
9,026,435	8,081,214	8,107,202	6,936,945	6,448,515	6,501,793
<u>2,285,024,736</u>	<u>2,388,531,965</u>	<u>2,348,192,336</u>	<u>2,423,879,267</u>	<u>2,494,995,989</u>	<u>2,557,668,922</u>
40,223,462	41,116,832	39,543,392	36,954,635	35,931,627	38,361,432
128,825,484	133,558,653	133,865,561	135,139,216	132,955,672	135,537,267
801,621,226	835,121,087	851,338,027	824,315,364	806,181,103	831,267,986
30,676,046	27,836,308	26,674,306	21,939,573	24,407,914	24,850,483
17,748,901	13,416,424	11,456,405	11,571,972	13,588,680	13,409,988
245,993,338	259,846,857	273,368,914	271,395,047	270,775,788	275,623,730
11,051,597	11,544,552	11,289,494	10,680,737	10,649,399	10,572,269
32,162	31,125	38,695	16,267	16,908	18,994
92,544,044	87,139,938	87,252,913	94,135,828	95,559,434	95,911,020
112,699,200	113,847,318	115,639,206	113,952,839	111,067,453	112,560,889
31,498,027	34,797,983	34,612,073	33,013,662	31,575,617	33,286,341
531,185,474	557,052,644	596,364,990	636,600,510	666,817,831	705,727,831
1,902,912	1,662,113	1,756,954	1,608,047	1,519,629	1,888,449
23,510,181	24,465,455	20,178,442	19,024,733	18,844,888	19,394,211
1,970,020	2,040,350	1,750,321	1,197,169	897,345	801,273
234,409,417	239,036,321	178,597,204	213,558,453	286,212,343	280,935,624
<u>2,305,891,491</u>	<u>2,382,513,960</u>	<u>2,383,726,897</u>	<u>2,425,104,052</u>	<u>2,507,001,631</u>	<u>2,580,147,787</u>
(20,866,755)	6,018,005	(35,534,561)	(1,224,785)	(12,005,642)	(22,478,865)
27,530,529	21,883,195	6,125,021	17,645,775	25,113,901	28,810,087
21,428	4,501	-	-	-	-
<u>27,551,957</u>	<u>21,887,696</u>	<u>6,125,021</u>	<u>17,645,775</u>	<u>25,113,901</u>	<u>28,810,087</u>
<u>\$ 6,685,202</u>	<u>\$ 27,905,701</u>	<u>\$ (29,409,540)</u>	<u>\$ 16,420,990</u>	<u>\$ 13,108,259</u>	<u>\$ 6,331,222</u>
1.2%	1.3%	1.0%	0.9%	0.9%	0.9%

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2012 *

Operating revenues:	
Contributions by other agencies	\$ 39,677,682
Contributions by the Board of Education	<u>16,023,500</u>
Total operating revenues	<u>55,701,182</u>
Operating expenses:	
Self-insurance losses, net of recoveries	56,103,669
Other costs at risk	5,488,201
Commercial insurance	4,090,622
Other operating expenses	<u>3,631,583</u>
Total operating expenses	<u>69,314,075</u>
Operating (loss)	<u>(13,612,893)</u>
Nonoperating revenues :	
Interest on investments	754
Other revenue	<u>541,077</u>
Total nonoperating revenues	<u>541,831</u>
Change in net assets	(13,071,062)
Total net assets - beginning of year	<u>(6,434,891)</u>
Total net assets (deficit) - end of year	<u>\$ (19,505,953)</u>

* Date of the most current available information.

Source: Montgomery County FY 2012 CAFR

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

Fiscal Year	Governmental Activities Capital Leases	Busines-Type Activities Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2004	35,222,813	324,946	35,547,759	0.07%	39
2005	41,379,011	610,298	41,989,309	0.08%	45
2006	44,475,334	608,910	45,084,244	0.07%	48
2007	45,400,158	483,803	45,883,961	0.07%	49
2008	49,420,506	339,046	49,759,552	0.08%	52
2009	46,838,246	151,621	46,989,867	0.07%	48
2010	32,784,825	287,343	33,072,168	0.05%	34
2011	31,405,867	504,223	31,910,090	0.05%	33
2012	37,674,880	596,314	38,271,194	0.05%	39
2013	47,090,756	713,086	47,803,842	0.07%	48

Notes:

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

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

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

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	927,789,542	(1,669,220)	926,120,322	924,992,688	99.70	1,106,599	926,099,287	100.00
2005	1,006,556,130	(672,818)	1,005,883,312	1,005,935,155	99.94	(2,900,587)	1,003,034,568	99.72
2006	1,032,231,333	(2,363,989)	1,029,867,344	1,031,967,800	99.97	(3,845,674)	1,028,122,126	99.83
2007	1,087,613,905	(1,842,593)	1,085,771,312	1,081,566,118	99.44	(896,167)	1,080,669,951	99.53
2008	1,137,590,824	(3,628,576)	1,133,962,248	1,132,548,519	99.56	(2,995,049)	1,129,553,470	99.61
2009	1,282,437,423	1,231,332	1,283,668,755	1,278,337,019	99.68	516,011	1,278,853,030	99.62
2010	1,344,626,102	(5,078,739)	1,339,547,363	1,343,140,289	99.89	(16,271,483)	1,326,868,806	99.05
2011	1,350,416,973	(1,784,592)	1,348,632,381	1,349,698,631	99.95	(2,453,929)	1,347,244,702	99.90
2012	1,365,605,932	1,881,620	1,367,487,552	1,363,217,734	99.83	359,100	1,363,576,834	99.71
2013	1,390,542,228	-	1,390,542,228	1,384,563,178	99.57	-	1,384,563,178	99.57

NOTES:

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

(1) Adjustment data was available and is reported in this schedule beginning with adjustments processed in FY05.

(2) Amounts represent collections received, including overpayments, net of refunds. 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	
2004	67,348,233,048	74,009,047,306	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,580	1.005
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952
2007	96,569,606,606	101,120,006,917	29,141,169,512	30,514,313,625	125,710,776,118	131,634,320,542	0.902
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	0.904
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

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					
2004	83,269,110	2,272,890,000	1,116,419,190	491,223,310	3,963,801,610	2.498	93,226,806,877	102,055,016,190	91.35
2005	45,777,000	2,290,059,500	1,097,481,440	469,294,170	3,902,612,110	2.474	102,184,336,833	109,242,081,266	93.54
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2.367	114,360,878,346	122,425,244,161	93.41
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2.244	129,659,725,668	135,583,270,092	95.63
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,492	167,959,062,589	96.48
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2.247	171,646,984,481	193,664,780,786	88.63
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

NOTES:

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

- (1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.
(2) For personal property, the assessed value and estimated actual value are the same.
(3) See Page 89 for real and personal property direct tax rates.

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

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

	County-wide					Substantially County-wide (1)				Prorata Tax Rate	Total County Direct Rate (4)
	County		M-NCPPC (2)			County		M-NCPPC (2)			
	Fire Tax County	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
Real Property:											
2004	.751	.118	.044	.001	.914	.022	.003	.021	.059	.091	1.005
2005	.734	.123	.044	.001	.902	.025	.003	.020	.059	.092	.994
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902
2008	.627	.126	.058	.001	.812	.024	.003	.019	.058	.090	.902
2009	.661	.116	.040	.001	.818	.022	.003	.019	.053	.084	.902
2010	.683	.105	.037	.001	.826	.019	.003	.018	.050	.078	.904
2011	.699	.097	.037	.001	.834	.018	.003	.015	.045	.070	.904
2012	.713	.121	.038	.001	.873	.018	.003	.017	.048	.074	.947
2013	.724	.134	.480	.001	.907	.021	.003	.018	.054	.074	.981
Personal Property:											
2004	1.878	.295	.110	.003	2.286	.055	.008	.053	.148	.212	2.498
2005	1.835	.308	.110	.003	2.256	.063	.008	.050	.148	.218	2.474
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244
2008	1.567	.315	.145	.003	2.030	.060	.007	.047	.145	.211	2.241
2009	1.652	.290	.100	.003	2.045	.055	.007	.047	.132	.196	2.241
2010	1.707	.262	.092	.003	2.064	.047	.007	.045	.125	.183	2.247
2011	1.747	.242	.092	.003	2.084	.045	.007	.038	.112	.163	2.247
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	.173	2.441

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 2013 CAFR

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

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts	Development Districts			
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
Real Property:												
2004	.28	.28	.24	.24	.030	.016	.02	.145	.18	.101	.213	-
2005	.28	.28	.24	.24	.030	.016	.02	.145	.175	.098	.192	-
2006	.28	.28	.24	.24	.024	.016	.03	.145	.185	.089	.187	-
2007	.28	.28	.24	.24	.024	.016	.03	.050	.001	.065	.161	-
2008	.28	.28	.24	.24	.024	.016	.03	.080	.080	.071	.156	-
2009	.28	.28	.24	.24	.024	.012	.03	.080	.080	.063	.144	-
2010	.28	.18	.24	.24	.024	.012	.03	.080	.080	.086	.137	-
2011	.317	.104	.240	.240	.024	.012	.030	.080	.080	.079	.163	-
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
Personal Property:												
2004	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-	-
2005	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-	-
2006	.70	.70	.60	.60	.060	.04	.075	.363	.463	-	-	-
2007	.70	.70	.60	.60	.060	.04	.075	.125	.125	-	-	-
2008	.70	.70	.60	.60	.060	.04	.075	.200	.200	-	-	-
2009	.70	.70	.60	.60	.060	.03	.075	.200	.200	-	-	-
2010	.70	.45	.60	.60	.060	.03	.075	.200	.200	-	-	-
2011	.792	.260	.600	.600	.060	.030	.075	.200	.200	-	-	-
2012	.793	.260	.600	.600	.060	.030	.075	.193	.200	-	-	-
2013	.793	.310	.600	.600	.060	.030	.075	.000	.025	-	-	-

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 2013 CAFR

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

Fiscal Year	Cities			Towns				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
Real Property:								
2004	.212	.322	.660	.078	.20	.035	.20	.14
2005	.212	.322	.660	.072	.20	.033	.20	.13
2006	.212	.322	.630	.065	.15	.029	.20	.12
2007	.212	.312	.630	.060	.15	.026	.19	.12
2008	.212	.302	.610	.054	.15	.023	.19	.12
2009	.212	.292	.605	.054	.15	.021	.19	.13
2010	.212	.292	.580	.049	.15	.010	.192	.13
2011	.262	.292	.580	.0514	.15	.010	.192	.13
2012	.262	.292	.580	.0514	.15	.011	.210	.13
2013	.262	.292	.580	.0514	.15	.010	.210	.14
Personal Property:								
2004	.53	.805	1.650	.20	.45	.10	.50	.80
2005	.53	.805	1.650	.20	.45	.10	.50	.80
2006	.53	.805	1.575	.20	.45	.10	1.000	.80
2007	.53	.805	1.575	.20	.45	.10	1.000	.80
2008	.53	.805	1.525	.20	.45	.10	1.000	.80
2009	.53	.805	1.513	.20	.45	.10	1.000	.80
2010	.53	.805	1.450	.20	.45	.10	1.000	.80
2011	.53	.805	1.450	.20	.45	.10	1.000	.80
2012	.53	.805	1.450	.20	.45	.10	1.000	.80
2013	.53	.805	1.550	.20	.45	.10	1.000	.80

Fiscal Year	Towns				
	Kensington	Laytonville	Poolesville	Somerset	Washington Grove
Real Property:					
2004	.187	.160	.24	.05	.217
2005	.170	.160	.23	.05	.217
2006	.155	.160	.221	.045	.202
2007	.147	.140	.200	.040	.202
2008	.139	.140	.180	.040	.202
2009	.130	.120	.160	.040	.181
2010	.122	.110	.150	.040	.181
2011	.136	.100	.1594	.080	.221
2012	.136	.110	.1594	.080	.221
2013	.136	.110	.1590	.080	.317
Personal Property:					
2004	.50	.35	.60	.22	.60
2005	.50	.35	.60	.22	.60
2006	.50	.35	.60	.22	.60
2007	.50	.35	.60	.22	.60
2008	.50	.35	.60	.22	.60
2009	.50	.33	.60	1.000	.60
2010	.50	.31	.60	1.000	.60
2011	.55	.30	.60	1.000	.60
2012	.55	.30	.60	1.000	.60
2013	.55	.30	.60	1.000	.60

NOTES:

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

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

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

Source: Montgomery County FY13 CAFR

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

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2004	.05	.02	-	.025	.14	.048	.06	.008	.052	.06
2005	.05	.02	-	.025	.14	.048	.06	.008	.052	.06
2006	.05	.02	-	.023	.13	.048	.05	.008	.052	.06
2007	.05	.02	-	.023	.123	.048	.04	.008	.052	.06
2008	.05	.02	-	.022	.111	.048	.04	.008	.052	.06
2009	.05	.02	-	.022	.103	.048	.04	.008	.052	.04
2010	.05	.02	-	.022	.096	.048	.04	.008	.052	.04
2011	.05	.02	-	.022	.0898	.048	.04	.040	.052	.04
2012	.05	.02	-	.022	.1005	.048	.04	.046	.052	.04
2013	.05	.02	-	.022	.1005	.048	.04	.047	.052	.04
Personal Property:										
2004	.125	.05	-	-	.50	.12	.06	.008	.13	.06
2005	.125	.05	-	-	.60	.12	.06	.008	.13	-
2006	.125	.05	-	-	.60	.12	.05	.008	.13	.10
2007	.125	.05	-	-	.66	.12	.04	.008	.13	.10
2008	.125	.05	-	-	.66	.12	.04	.500	.13	.10
2009	.125	.05	-	-	.66	.12	.04	.500	.13	.10
2010	.125	.05	-	-	.66	.12	.04	.500	.13	.10
2011	.125	.05	-	-	.66	.12	.04	.500	.13	.10
2012	.125	.05	-	-	.66	.12	.04	.500	.13	.10
2013	.125	.05	-	-	.66	.12	.04	.500	.13	.10

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 2013 CAFR

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

For the Fiscal Year Ended June 30, 2013

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 714,754,210	\$ -	\$ 714,754,210	0.44%
Verizon Maryland Inc	530,706,663	41,110,733	489,595,930	0.33%
Montgomery Mall LLC	280,682,610	280,115,000	567,610	0.17%
Washington Gas Light Co.	258,719,080	-	258,719,080	0.16%
Wheaton Plaza Reg Shopping Center	213,403,400	212,858,800	544,600	0.13%
Chevy Chase Land Co	207,339,733	207,339,733	-	0.13%
Camalier, Anne D et al, Trustee	202,494,900	202,494,900	-	0.13%
7501 Wisconsin Avenue LLC	200,029,560	200,000,000	29,560	0.12%
Federal Realty Investment Trust	198,438,757	196,053,067	2,385,690	0.12%
WP Project Developer LLC	165,434,493	165,371,263	63,230	0.10%
Total	\$ 2,972,003,406	\$ 1,505,343,496	\$ 1,466,659,910	1.84%
Total Assessable Base	\$ 161,877,309,598			100.00%

For the Fiscal Year Ended June 30, 2004

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 766,285,986	\$ 5,860,436	\$ 760,425,550	0.82%
Verizon/Bell Atlantic	629,743,666	27,223,826	602,519,840	0.68%
Montgomery Mall	224,504,932	224,144,332	360,600	0.24%
Washington Gas Light Co.	206,249,370	-	206,249,370	0.22%
Mirant Mid-Atlantic LLC	205,747,732	69,733,532	136,014,200	0.22%
Bryant F. Foulger, Trustee	155,509,300	155,509,300	-	0.17%
7501 Wisconsin Ave LLC	155,000,000	155,000,000	-	0.17%
Camalier, Anne D et al, Trustee	139,042,168	139,042,168	-	0.15%
Democracy Associates	137,266,666	137,266,666	-	0.15%
Marbeth Partnership	129,021,000	129,021,000	-	0.14%
Total	\$ 2,748,370,820	\$ 1,042,801,260	\$ 1,705,569,560	2.95%
Total Assessable Base	\$ 93,226,806,877			100.00%

Source: State of Maryland Department of Assessments and Taxation

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

Fiscal Year	General Bonded Debt Outstanding (1)			Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Taxable BABs General Obligations (2)			
2004	1,329,778,054	-	-	1,329,778,054	1.30	1,444
2005	1,415,208,054	-	-	1,415,208,054	1.30	1,524
2006	1,393,888,054	100,000,000	-	1,493,888,054	1.22	1,597
2007	1,512,675,607	100,000,000	-	1,612,675,607	1.19	1,713
2008	1,366,758,054	100,000,000	-	1,466,758,054	0.98	1,538
2009	1,496,561,371	100,000,000	-	1,596,561,371	0.95	1,643
2010	1,437,839,285	100,000,000	232,000,000	1,769,839,285	0.99	1,821
2011	1,517,280,000	100,000,000	338,320,000	1,955,600,000	1.01	1,996
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

NOTES:

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

Source: Montgomery County FY2013 CAFR

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

	2004	2005	2006	2007
Assessed Value				
Real property (1)	\$ 89,263,005,267	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118
Personal property	3,963,801,610	3,902,612,110	3,831,629,230	3,948,949,550
Total Assessed Value	<u>\$ 93,226,806,877</u>	<u>\$ 102,184,336,833</u>	<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior)	\$ 5,355,780,316	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567
For personal property at 15%	<u>594,570,242</u>	<u>585,391,817</u>	<u>574,744,385</u>	<u>592,342,433</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>5,950,350,558</u>	<u>6,482,295,300</u>	<u>7,206,499,332</u>	<u>8,134,989,000</u>
Debt Applicable to Limit:				
General obligation bonds	1,329,778,054	1,415,208,054	1,393,888,054	1,512,675,607
Variable Rate Demand Obligation	-	-	100,000,000	100,000,000
Taxable BABs General Obligation	-	-	-	-
Bond anticipation notes	150,000,000	-	100,000,000	150,000,000
Long-term notes payable	<u>1,270,924</u>	<u>1,198,385</u>	<u>-</u>	<u>-</u>
Total Debt Applicable to Limit	<u>1,481,048,978</u>	<u>1,416,406,439</u>	<u>1,593,888,054</u>	<u>1,762,675,607</u>
Legal Debt Margin	<u>\$ 4,469,301,580</u>	<u>\$ 5,065,888,861</u>	<u>\$ 5,612,611,278</u>	<u>\$ 6,372,313,393</u>
Legal Debt Margin as a Percentage of Debt Limit	75%	78%	78%	78%

NOTES:

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

Source: Montgomery County FY 2013 CAFR

	2008	2009	2010	2011	2012	2013
\$	142,306,435,593	\$ 158,133,491,472	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	158,272,830,848
	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750
\$	146,276,982,963	\$ 162,053,662,492	171,220,840,149	171,646,984,481	165,916,095,468	\$ 161,877,309,598
\$	8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851
	595,582,106	588,025,653	618,599,492	578,428,793	557,841,857	540,671,813
	9,133,968,242	10,076,035,141	10,644,410,104	10,645,876,345	10,289,670,842	10,037,041,663
	1,366,758,054	1,496,561,371	1,437,839,285	1,517,280,000	1,658,970,000	1,915,360,604
	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
	300,000,000	300,000,000	425,000,000	500,000,000	500,000,000	500,000,000
	-	-	-	-	-	-
	1,766,758,054	1,896,561,371	2,194,839,285	2,455,600,000	2,597,290,000	2,855,188,124
\$	7,367,210,188	\$ 8,179,473,770	8,449,570,819	8,190,276,345	7,692,380,842	\$ 7,181,853,539
	81%	81%	79%	77%	75%	72%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 445,100	100.00 %	\$ 445,100
Poolesville - bonds	1,496,604	100.00	1,496,604
Rockville - bonds	42,908,541	100.00	
Certificates or notes	2,472,665		
Somerset - bonds	1,675,000	100.00	1,675,000
Takoma Park:			
Bonds	2,880,000	100.00	2,880,000
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	47,090,756	100.00	47,090,756
MCC - capital leases	58,069,610	100.00	58,069,610
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	79,476,123	40.23	31,970,000
Advance land acquisition bonds	1,665,000	100.00	1,665,000
Development Districts (2):			
Kingsview Village Center - bonds	1,695,000	100.00	1,695,000
West Germantown - bonds	13,890,000	100.00	<u>13,890,000</u>
Total Overlapping Debt			161,027,070
Montgomery County direct debt			<u>3,085,183,755</u>
Total Direct and Overlapping Debt			<u>\$ 3,246,210,825</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 FY2013 CAFR

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2013*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2013
General bonded indebtedness:					
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	6,280,000
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	40,518,194
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	13,310,000
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	62,464,240	59,256,820
Consolidated Public Improvement	4.2 - 5.0	5/1/2006	2007-16	50,000,000	15,000,000
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	67,320,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	5,897,150
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	101,600,000
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	71,413,362
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	11,600,000
Consolidated Public Improvement	2.00 - 5.0	7/26/2010	2011-22	80,500,000	67,083,334
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	112,575,000
Consolidated Public Improvement Refunding	2.00 - 5.0	8/11/2011	2012-22	106,469,440	101,548,160
Consolidated Public Improvement	2.00 - 5.3	10/24/2012	2013-32	150,000,000	150,000,000
Consolidated Public Improvement Refunding	2.50 - 5.0	10/24/2012	2013-16	2,896,640	2,896,640
Total				\$ 1,534,855,305	\$ 1,038,898,660

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, 2013

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)
2004	914,991	52,238,928	57,092	497,204	481,248	3.2	139,203
2005	921,531	55,846,295	60,602	508,251	492,431	3.1	139,337
2006	926,492	60,372,289	65,162	518,142	503,476	2.8	139,387
2007	931,694	62,643,745	67,236	512,934	499,536	2.6	137,798
2008	942,748	65,845,731	69,844	519,957	503,399	3.2	137,745
2009	959,013	63,323,396	66,030	521,429	492,034	5.6	137,763
2010	971,777	65,977,456	67,894	522,913	492,574	5.8	140,500
2011	980,620	69,430,000	70,802	525,157	498,057	5.2	143,309
2012	989,540	72,550,000	73,317	527,829	501,480	5.0	146,497
2013	999,247	73,420,000	73,475	540,133	512,246	5.2	149,018

NOTES:

- (1) Sources: Data for 2004-2011 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2010 from Montgomery Planning Department (MNCPPC) and for 2012 and 2013 are estimated by the Montgomery County Department of Finance from Round 8.2 Cooperative Estimates and pertain to population in households. Estimates for 2004-2011 published by BEA in November 2012 and reflect the County's population estimates available as of November 2012.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2009-2010 were revised by BEA and data for 2011 are a preliminary estimate from BEA. Data for 2012 through 2013 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2008 - 2012. Data for 2013 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2012 to the first half of CY2013.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2008-2012 revised by BLS. Data for 2013 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2012 to the first half of CY2013.
- (6) The unemployment rates for 2008 through 2012 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2013 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2013.
- (7) Source: County Executive's Recommended FY14 Operating Budget, Office of Management and Budget, Montgomery County, p 10-5.

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

Employer	Fiscal Year 2013			Fiscal Year 2004		
	Employees(1)	Rank	Percentage of Total County Employment(2)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	28,195	1	5.91 %	34,600	1	7.70 %
Montgomery County Public Schools	24,913	2	5.22	20,682	2	4.60
U.S. Department of Defense	11,686	3	2.45	13,030	3	2.90
Montgomery County Government	10,485	4	2.20	8,099	4	1.80
U.S. Department of Commerce	7,334	5	1.54	6,500	5	1.45
Adventist Healthcare	5,669	6	1.19	6,000	6	1.33
Marriott International, Inc. (Headquarters)	5,497	7	1.15	*		-
Lockheed Martin	5,200	8	1.09	3,896	10	0.87
Verizon	3,571	9	0.75	4,700	8	1.05
Giant Food Corporation	3,493	10	0.73	4,900	7	1.09
Chevy Chase Bank	*		-	4,700	8	1.05
Total	106,043		22.23 %	107,107		23.84 %

NOTES:

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

Note: Excludes post offices, state and local governments.

- (1) The employee numbers listed were prepared jointly by Montgomery County's Department of Economic Development (DED) and the Maryland Department of Business & Economic Development. The figures are based on DED's analysis of the MD Department of Labor, Licensing & Regulation's Quarterly Census of Employment & Wages, 4th quarter 2012 data of public and private employers in Montgomery County.
- (2) Employee counts for Federal & Military facilities exclude contractors to the extent possible; embedded contractors maybe included.
- (3) Total payroll employment in FY13 was 477,000

Source: Montgomery County Department of Economic Development

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Instruction:										
Total enrollment ⁽¹⁾	139,203	139,337	139,387	137,798	137,745	139,276	141,777	144,064	146,497	148,779
Regular students ⁽⁴⁾	130,852	130,601	130,444	128,511	128,478	130,371	140,065	142,342	144,571	146,930
ESOL students ⁽⁴⁾	12,200	12,905	13,200	14,718	15,961	16,685	17,664	17,900	18,650	19,200
Special education classroom students ⁽⁴⁾	8,114	8,520	8,645	8,888	8,553	8,534	9,107	9,067	9,533	11,614
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 11,628	\$ 12,361	\$ 13,199	\$ 14,388	\$ 16,081	\$ 16,543	\$ 16,782	\$ 16,590	\$ 16,476	\$ 16,486
Number of teaching stations ⁽²⁾	6,430	6,598	6,817	7,098	7,379	7,660	7,085	7,101	7,492	7,313
Average teacher salary ⁽⁶⁾	\$ 61,962	\$ 62,608	\$ 65,173	\$ 67,439	\$ 71,039	\$ 75,517	\$ 76,499	\$ 73,638	\$ 72,356	\$ 75,463
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	14:1	14:1	13:1	13:1	14:1	13.5:1	14:1	14:1	11:4
Average SAT score ⁽¹⁾	1,094	1,102	1,101	1,634	1,624	1,616	1,615	1,653	1,637	1,651
Seniors taking SAT ⁽¹⁾	81 %	80 %	77 %	76 %	79 %	74 %	81 %	73 %	77 %	78.2 %
Building capacity used ^{(3) #}	100 %	107 %	104 %	100 %	100 %	100 %	98.3 %	100 %	100 %	102 %
Support services:										
Student transportation:										
Number of buses ⁽²⁾	1,202	1,230	1,252	1,264	1,272	1,271	1,270	1,268	1,264	1,264
Students transported ⁽¹⁾	96,000	93,845	95,962	95,711	96,000	96,700	97,100	98,535	100,158	99,300
Operation of plant:										
School buildings ⁽¹⁾	191	192	194	199	200	199	200	200	200	202
Square footage ⁽²⁾	18.9 million	19.6 million	20.0 million	20.9 million	21.1 million	21.1 million	21.4 million	23.5 million	24.2 million	24.6 million
Number of rooms ⁽³⁾	6,961	7,140	7,357	7,377	7,385	7,458	7,652	7,737	7,898	7,950
Maintenance of plant:										
Work orders completed	58,172	58,885	64,550	63,380	60,156	59,393	60,322	64,754	61,529	60,305
Average building age (years) ^{(3) +}	20	21	21	22	22	22	23	23	22	22
Administration:										
Payments issued	61,458	62,909	67,125	69,653	70,328	65,060	66,412	64,504	65,035	64,880
Purchased orders issued	42,621	46,843	48,343	49,609	43,233	58,858	49,870	59,866	33,436	33,663
Business-Type Activities:										
Food Service:										
Meals served	10.9 million	11.4 million	12.1 million	12.5 million	12.8 million	13.1 million	12.9 million	13.7 million	14.6 million	14.6 million
Free & Reduced meals	5.6 million	5.7 million	5.6 million	6.4 million	7.0 million	7.5 million	8.1 million	8.9 million	9.6 million	9.9 million
Real Estate Management:										
Square footage under lease	98,114	84,618	104,426	103,567	188,248	168,949	162,389	167,416	169,432	169,768
Average annual rental months	11	10	11	11	11	11	11.1	11.42	11.31	11.28
Field Trip:										
Number of trips run	NA	NA	7,224	7,392	8,004	9,277	9,800	10,913	11,632	11,490
Trip miles	NA	NA	259,977	270,741	298,324	366,796	365,878	427,679	440,462	433,456
Entrepreneurial activities:										
Science kits sold	3,239	3,922	4,356	12,621	5,871	7,975	4,806	5,676	4,748	3,546

Notes:

NA - Data not readily available.

Data for FY 2003 is not readily available.

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

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

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

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

Sources for 2012:

(1) FY2013 Annual Report on Our Call to Action: Pursuit of Excellence (The Strategic Plan for the Montgomery County Public Schools)

(2) Citizens Report 2013

(3) FY2013 Educational Facilities Master Plan and the Amended FY2013-2018 Capital Improvements Program

(4) The Superintendent's FY2013 Operating Budget Summary and Personnel Complement

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

Various MCPS departments where not otherwise noted

(6) FY2013 Fact Sheet Prepared by Employee and Retiree Service Center

MONTGOMERY COUNTY PUBLIC SCHOOLS
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,257	9,302	9,546	9,679
Other staff	1,343	1,354	1,354	1,392
Total Regular instruction	<u>10,600</u>	<u>10,656</u>	<u>10,900</u>	<u>11,071</u>
Special education:				
Teachers	1,708	1,775	1,867	1,985
Other staff	1,166	1,206	1,269	1,377
Total Special education	<u>2,874</u>	<u>2,981</u>	<u>3,136</u>	<u>3,362</u>
School administration	1,498	1,543	1,610	1,675
Student personnel services	121	121	122	120
Total Instruction	<u>15,093</u>	<u>15,301</u>	<u>15,768</u>	<u>16,228</u>
Support services:				
Student transportation	1,620	1,688	1,728	1,750
Operation of plant	1,280	1,285	1,322	1,390
Maintenance of plant	363	380	389	377
Administration	326	334	345	363
Total Support services	<u>3,589</u>	<u>3,687</u>	<u>3,784</u>	<u>3,880</u>
Special Revenue:				
Instructional TV	14	14	14	14
Business-Type Activities:				
Food Service	575	577	590	601
Adult Education	8	6	5	-
Real Estate Management	4	4	5	4
Field Trips	3	3	3	3
Entrepreneurial activities	7	9	9	10
Position Grand total	<u>19,293</u>	<u>19,601</u>	<u>20,178</u>	<u>20,740</u>

Source:

The Superintendent's FY 2013 Operating Budget Summary and Personnel Complement

2008	2009	2010	2011	2012	2013
9,666	9,589	9,690	9,453	9,467	9,617
1,429	1,371	1,374	1,351	1,208	1,211
<u>11,095</u>	<u>10,960</u>	<u>11,064</u>	<u>10,804</u>	<u>10,675</u>	<u>10,828</u>
2,024	2,047	2,094	2,117	2,114	2,141
1,412	1,424	1,514	1,545	1,547	1,556
<u>3,436</u>	<u>3,471</u>	<u>3,608</u>	<u>3,662</u>	<u>3,661</u>	<u>3,697</u>
1,691	1,677	1,662	1,683	1,669	1,673
122	118	111	110	109	107
<u>16,344</u>	<u>16,226</u>	<u>16,445</u>	<u>16,259</u>	<u>16,114</u>	<u>16,304</u>
1,751	1,745	1,742	1,742	1,733	1,733
1,405	1,403	1,398	1,407	1,430	1,431
380	396	389	380	380	380
377	369	358	339	327	328
<u>3,913</u>	<u>3,913</u>	<u>3,887</u>	<u>3,868</u>	<u>3,870</u>	<u>3,872</u>
14	14	14	14	13	13
602	605	584	584	584	583
-	-	-	-	-	-
4	7	7	7	7	7
3	4	5	5	5	5
<u>10</u>	<u>8</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>13</u>
<u>20,890</u>	<u>20,777</u>	<u>20,952</u>	<u>20,746</u>	<u>20,602</u>	<u>20,796</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE
as of June 30, 2013

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	07/01/13-07/01/14		\$100,000
Workers' Compensation	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/13-07/01/14		As required by Maryland Statues Plus \$100,000 Insurance Fund
Excess Liability Auto & General Liability	Britt Global Specialty, USA	PK1019513	07/01/13-06/30/14		\$10,000,000 \$3,000,000 Self-Insurance Fund Pays 1st \$3 Million
Property All Risk Coverage	FM Global	LP893	07/01/13-06/30/14		Replacement cost less \$250,000 Deductible per Occurrence including Flood and Earthquake \$500,000 per occurrence
Bus, Truck, and Auto Fleet Fire, Theft and Comprehensive	FM Global	LP550	07/01/98-07/01/14		Same as Above
Commercial Crime Policy Bond Coverage - all Employees	Zurich Insurance	CCP006103407	07/01/13-06/30/14		\$1,000,000 per loss \$500,000 forgery alteration \$5,000 deductible
Public Official Bond	Travelers	105635454	07/01/11-07/01/15		\$10,000
Tackle Football for Students	Nationwide Life Insurance Co.	N/A	08/15/13-08/15/14		\$25,000 Per injury.
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/13-08/01/14		\$5,000,000 Medical Expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/13-06/30/14		No limits
Fiduciary Liability	Hudson Ins. Co.	SFD 31210245	07/01/13-06/30/14		\$5,000,000

N/A-Not Applicable

Source: Department of Financial Services

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