

for the Fiscal Year Ended Ended **JUNE 30, 2012**

# 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

### CORE VALUES

- MCPS is committed to doing whatever it takes to ensure that every child, regardless of race, ethnicity, gender, socioeconomic status, language proficiency, or disability, learns and succeeds.
- Student outcomes shall not be predictable by race or ethnicity.
- MCPS has high expectations for all students, believing that all children can learn at high levels.
- Every student is a unique learner and MCPS will tailor instruction to meet the learning needs of each student.
- A comprehensive early years' program is critical for students to acquire the knowledge and skills to be successful in reading, writing, and mathematics.
- The pursuit of excellence for all students requires providing our neediest students with the extra support necessary to attain rigorous targets.
- MCPS demonstrates commitment to continuous improvement by reviewing, evaluating and improving our work and monitoring student performance data.
- MCPS is committed to a culture of respect that includes fair treatment, honesty, openness, and integrity.

### MISSION

To provide a high-quality, world-class education that ensures success for every student through excellence in teaching and learning.

### VISION

A high-quality education is the fundamental right of every child. All children will receive the respect, encouragement, and opportunities they need to build the knowledge, skills, and attitudes to be successful, contributing members of a global society.

### SYSTEM GOALS

- Ensure success for every student
- Provide an effective instructional program
- Strengthen productive partnerships for education
- Create a positive work environment in a self-renewing organization
- Provide high-quality business services that are essential to the educational success of students

### BOARD OF EDUCATION ACADEMIC PRIORITIES

- Organize and optimize resources for improved academic results
- Align rigorous curriculum, delivery of instruction, and assessment for continuous improvement of student achievement
- Develop, expand, and deliver literacy-based initiatives from prekindergarten through Grade 12
- Develop, pilot, and expand improvements in secondary content, instruction, and programs that support students' active engagement in learning
- Use student, staff, school and system performance data to monitor and improve student achievement
- Foster and sustain systems that support and improve employee effectiveness, in partnership with MCPS employee organizations
- Strengthen family-school relationships and continue to expand civic, business, and community partnerships that support improved student achievement

---

Montgomery County Public Schools  
A Component Unit of Montgomery County Maryland  
Comprehensive Annual Financial Report  
for the Fiscal Year Ended  
June 30, 2012

Prepared by:

Office of the Chief Operating Officer

Larry A. Bowers, *Chief Operating Officer*  
Susanne G. DeGraba, *Chief Financial Officer*  
Robert J. Doody, *Controller*

*Cover Photograph:*  
*Flora M. Singer Elementary School*

850 Hungerford Drive  
Rockville, MD 20850

---

INTENTIONALLY BLANK

MONTGOMERY COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2012

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	7
ASBO Certificate of Excellence in Financial Reporting.....	8
Listing of Officials .....	9
Montgomery County Public Schools Organization.....	10
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	12
Management's Discussion and Analysis .....	14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	27
Statement of Activities .....	28
Fund Financial Statements:	
Balance Sheet-Governmental Funds .....	30
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets ..	31
Statement of Revenues, Expenditures, and Changes in Fund Balances-	
Governmental Funds .....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances	
of Governmental Funds With the District-Wide Statement of Activities .....	33
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and	
Actual (Non-GAAP Budgetary Basis)-General Fund .....	34
Statement of Net Assets-Proprietary Funds .....	35
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds .....	36
Statement of Cash Flows-Proprietary Funds .....	37
Statement of Fiduciary Net Assets – Fiduciary Funds .....	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	39
Notes to the Financial Statements .....	41
Required Supplementary Information:	
MCPS Employees' Retirement and Pension System:	
Schedule of Funding Progress .....	63
Schedule of Employer Contributions .....	63
OPEB Plan Trust:	
Schedule of Funding Progress .....	63
Schedule of Employer and Other Contributing Entities Contributions .....	63
Supplementary Data:	
Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	
(Non-GAAP Budgetary Basis) - Capital Projects Fund .....	66
Schedule of Construction in Progress-Capital Projects Fund .....	67
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	
(Non-GAAP Budgetary Basis) - Special Revenue Fund.....	68
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	70
Combining Statement of Revenues, Expenses and Changes in Fund	
Net Assets – Nonmajor Enterprise Funds .....	71
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	72

TABLE OF CONTENTS  
(continued)

Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds .....	74
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds .....	75
Statement of Changes in Assets and Liabilities – Agency Funds .....	76

STATISTICAL SECTION (UNAUDITED)

Statistical Section	
Net Assets by Component – Last Ten Fiscal Years (Accrual Basis of Accounting).....	79
Change in Net Assets – Last Ten Fiscal Years (Accrual Basis of Accounting).....	80
Fund Balances of Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting) .....	83
Change in Fund Balances of Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting) .....	84
Statement of Revenues, Expenses and Changes in Net Assets - Montgomery County and Board of Education Self-Insurance Fund .....	
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	87
Montgomery County, Maryland:	
Revenue Capacity Property Tax Levies and Collections – Last Ten Fiscal Years .....	88
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	89
Real and Personal Property Tax Rates – County Direct Rate – Last Ten Fiscal Years .....	90
Real and Personal Property Tax Rates – County Special Taxing Districts – Last Ten Fiscal Years .....	91
Real and Personal Property Tax Rates – Overlapping Governments – Cities and Towns – Last Ten Fiscal Years .....	92
Real and Personal Property Tax Rates – Overlapping Governments – Villages – Last Ten Fiscal Years .....	93
Ten Highest Commercial Property Taxpayers – Current Fiscal Year and Nine Years Ago.....	94
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years .....	95
Computation of Legal Debt Margin – Last Ten Fiscal Years .....	96
Direct and Overlapping Governmental Activities Debt.....	98
Statement of Long-term Indebtedness (Public Schools) .....	99
Demographic Statistics – Last Ten Fiscal Years .....	100
Principal Employers – Current Fiscal Year and Nine Years Ago .....	101
Montgomery County Public Schools:	
Operating Indicators by Function – Last Six Fiscal Years .....	103
Employees by Function – Last Ten Fiscal Years.....	104
Schedule of Insurance in Force .....	106

# **INTRODUCTORY SECTION**

INTENTIONALLY BLANK





September 28, 2012

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, 2012.

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, established under Maryland state law to provide public education in kindergarten through twelfth

## Members of the Board of Education

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.

For the Washington Metropolitan Statistical Area (MSA), leading economic indicators have only slightly recovered from the effects of the national recession. According to the Center for Regional Analysis, the region's economy is expected to grow moderately during 2012. The

## Members of the Board of Education

region added approximately 8,800 jobs over the past year. The most recent unemployment rate was 5.4 percent—well below national levels, but significantly higher than recent years for the metropolitan area. The Washington MSA Coincident Index, a measure of the current state of the metropolitan economy, decreased by 1.0 percent during Fiscal Year (FY) 2012. The Washington MSA Leading Index increased by 2.7 percent in FY 2012, suggesting possible faster growth in the region's economic expansion in the next six to eight months. Both the region's and the county's economies have outperformed the nation's economy due to the large presence of the federal government in the area. But recent indicators show that the area has fallen behind growth in most other major metropolitan areas because of a 2.0 percent decrease of federal employment. The federal government comprises approximately 30 percent of the county's economy. Consumer prices in the region increased 1.8 percent in the past year, slightly above the national average, and lower than the previous year's regional inflation rate of 3.1 percent. Core inflation, which excludes food and energy items, was 2.8 percent, higher than the 1.4 percent core inflation rate in the previous year.

Montgomery County's economy has experienced continued weak economic performance. The primary reasons for the county's performance were a decrease in sales of existing homes and stagnant employment. Resident employment increased by 4,650 (0.9 percent) during FY 2012, and payroll employment increased by 1.1 percent. However, the county's unemployment rate of 5.0 percent remains one of the lowest in the state, and slightly lower than the previous year. Construction activity continued to experience improvement during FY 2012, increasing modestly from a historically low base. The number of residential construction starts increased 33.6 percent in FY 2012, and their value increased 14.1 percent. The number of non-residential construction starts increased 15.7 percent, but their value decreased 32.2 percent. The number of residential sales decreased during the year by 8.8 percent; however, average home prices in the county increased by 2.3 percent. The value of taxable real property decreased by 3.3 percent. In FY 2012, revenue from property taxes increased by 1.2 percent and revenue from income tax increased by 18.1 percent, but real estate transfer and recordation taxes decreased by 4.3 percent. Purchases of goods and services increased by 4.4 percent in FY 2012.

**Long-term financial planning**—Six-year budget projections are updated each year, used as a starting point for discussion and planning, and revised each year to reflect trends and factors affecting enrollment. Preliminary projections for FY 2014 through FY 2018 indicate an annual increase for major known commitments of \$53.2 million for FY 2014, and similar projected increases for known commitments for FY 2015 through FY 2018, not including the cost of future negotiated agreements or any funds to address initiatives planned in the MCPS strategic plan, *Our Call to Action: Pursuit of Excellence*, to raise the bar and close the achievement gap between racial and ethnic groups. Employees have not received a general wage increase since FY 2009 and received annual seniority increments in FY 2013 for the first time since FY 2010. Each one percent salary increase would add \$15.3 million in FY 2014.

**Negotiated agreements**—During FY 2012 the Board of Education reached agreement on economic re-opener agreements with all four bargaining units. All groups are covered under separate four year agreements covering July 1, 2010, through June 30, 2014. The FY 2013

## Members of the Board of Education

Operating Budget includes 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 FY 2011 also will receive a step increase on May 4, 2013. Employees did not receive scheduled steps and longevity increases in FY 2011 or FY 2012. The negotiated agreements include plan design changes in the Employee Benefit Plan, comprising employee health, prescription drug, and life insurance plans for active and retired employees. Savings result from increases in required co-pays for prescription drugs and doctor's visits and from incentives to increase use of generic prescription drugs.

**Enrollment**—MCPS enrollment has increased by over 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. Between 2008 and 2009 enrollment increased by 2,200 students, and between 2009 and 2010, enrollment increased by 2,500 students. Between 2010 and 2011, enrollment increased by 2,400 students. Enrollment on September 30, 2012, is expected to be about 149,000, an increase of about 2,500 students. As a result of increasing numbers of births in the county and other factors that are increasing enrollment, total enrollment is projected to continue to grow, with 7,000 more students projected to enroll by 2018.

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 elementary schools having high levels of Free and Reduced-price Meals participation. This year, MCPS is addressing overutilization at schools with 395 relocatable classrooms, 358 of which are at elementary schools where space issues are most pronounced. To relieve overutilization of schools, in FY 2013, MCPS will open a new elementary school with 38 classrooms; open a 6 classroom addition at one elementary school and add 14 classrooms as a result of a high school modernization.

## Accomplishments and Awards

**Graduation rates**—According to the 2012 Diplomas Count report released by *Education Week*, MCPS has the highest graduation rate of any of the 50 largest school districts in the nation for the fourth year in a row. The report calculated the MCPS graduation rate as 87.6 percent.

**Top high schools**—In 2012, five MCPS high schools were named to High School Challenge list of the top 100 public high schools in the nation, released by *The Washington Post*. All 25 MCPS high schools appear in the rankings, which represents the top eight percent of the nation's high schools. Inclusion on the list reflects a high school's ability to provide students with access to Advanced Placement and International Baccalaureate classes. Nine MCPS high schools were in the top 1,000 on the High School Challenge list issued by *Newsweek/The Daily Beast*.

## Members of the Board of Education

**SAT scores**—The system wide average SAT score in FY 2012 was 1651, the highest score ever for the district, with 71 percent of seniors taking the SAT test. The average SAT score was 153 points above the national average and 184 points above the Maryland state average. Hispanic graduates from MCPS scored an average of 1483 on the SAT—6 points higher than 2011, and 131 points higher than the nation's. African American graduates of MCPS scored an average of 1389 on the SAT—seven points higher than 2011, and 116 points higher than the nation's. African American and Hispanic students are performing better than their peers on the SAT, but there are still gaps in achievement.

**Academic progress**— Students at all levels are demonstrating improved academic achievement. In 2011, 50 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 66 percent of all MCPS seniors took one or more Advanced Placement exams. African American and Hispanic seniors in MCPS performed significantly better than their peers nationwide on Advanced Placement exams, with more African American students and Hispanic students scoring a 3 or better than the national average for all students. Record numbers of kindergarten students are reading—nearly 92 percent in 2011, up from 59 percent in 2001, including 90 percent of African American students and 84 percent of Hispanic students. A total of 63 percent of Grade 8 students successfully completed Algebra 1 with a C or higher in 2011.

**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, 2011. 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.

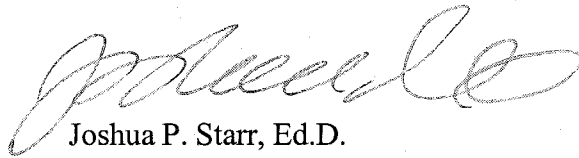
For 31 consecutive years, MCPS has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. This award, valid for one year, is granted only after an intensive review of the CAFR by an expert panel of certified public accountants and practicing school business officials. MCPS plans to submit the 2012 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

Members of the Board of Education

**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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County  
County Public Schools  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# Association of School Business Officials International

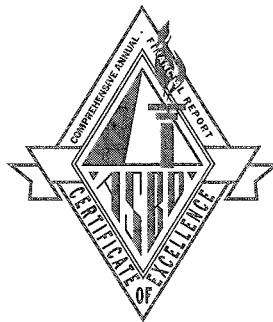


*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## Montgomery County Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2011*

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



A handwritten signature in cursive script, reading 'Brian L. Mee'.

Brian L. Mee, SFO, RSBA  
President

A handwritten signature in cursive script, reading 'John D. Musso'.

John D. Musso, CAE, RSBA  
Executive Director



# MONTGOMERY COUNTY PUBLIC SCHOOLS LISTING OF OFFICIALS

## MEMBERS OF THE BOARD OF EDUCATION

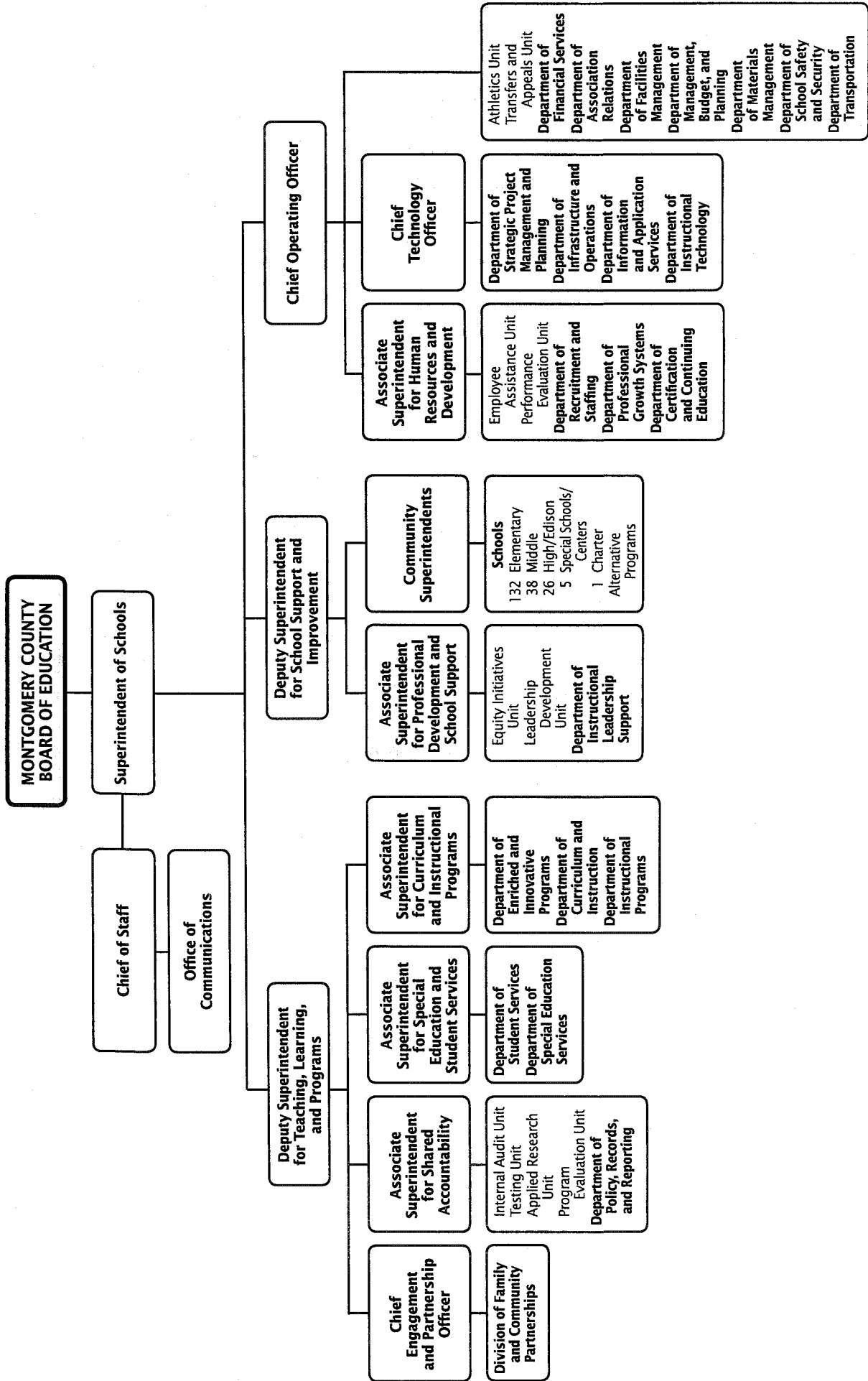
Shirley Brandman, President  
Christopher S. Barclay, Vice President  
Laura V. Berthiaume  
Judith R. Docca (Dr.)  
Michael A. Durso  
Philip S. Kauffman  
Patricia B. O'Neill

John Mannes, 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  
Brian K. Edwards.....Chief of Staff  
Sherwin Collette ..... Chief Technology Officer  
Christopher S. Garran (Dr.) ..... Community Superintendent  
Carole C. Goodman..... Associate Superintendent for Human Resources  
and Development  
Donna S. Hollingshead (Dr.) .....Community Superintendent  
LaVerne G. Kimball (Dr.)..... Community Superintendent  
Erick J. Lang.....Associate Superintendent for Curriculum and Instructional Programs  
Susan Marks (Dr.)..... Acting Associate Superintendent for Shared Accountability  
Bronda L. Mills..... Community Superintendent  
Chrisandra A. Richardson.....Associate Superintendent for Special Education  
and Student Services  
Myra Smith (Dr.) ..... Community Superintendent  
Rebecca Thessin (Dr.) ..... Associate Superintendent for Professional Development and  
School Support  
Timothy B. Warner (Dr.) ..... Chief Engagement and Partnership Officer  
Darryl L. Williams (Dr.)..... Community Superintendent

# MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



## **FINANCIAL SECTION**



CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## CliftonLarsonAllen

### Independent Auditor's Report

Board of Education  
of Montgomery County Public Schools  
Rockville, Maryland

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, a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2012 and the budgetary comparison for the general fund for the year ended June 30, 2012, which collectively comprise the Montgomery County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County Public Schools' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County Public Schools as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Montgomery County Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 63 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 basic financial statements in 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 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County Public School's basic financial statements. The supplementary data 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.

*CliftonLarsonAllen LLP*

Baltimore, Maryland  
September 28, 2012

## 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, 2012. 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, 2012, by \$1,785.0 million, which represents its net assets.
- MCPS' net assets increased during the year by \$81.8 million.
- 86 percent of capital asset additions were directed toward instructional facilities.
- MCPS successfully realized its commitment to the Montgomery County Council to generate \$17.0 million in FY 2012 savings to be used to fund the MCPS FY 2013 Operating Budget.

### **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 assets* presents information on all of MCPS' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 41–62 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 65–76 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 213.1	\$ 231.1	\$ 3.7	\$ 1.7	\$ 216.8	\$ 232.8
Capital assets	2,259.1	2,095.1	3.8	3.9	2,262.9	2,099.0
Total assets	2,472.2	2,326.2	7.5	5.6	2,479.7	2331.8
Long-term liabilities outstanding	522.9	424.3	7.9	6.4	530.8	430.7
Other liabilities	161.0	195.0	2.8	2.9	163.8	197.9
Total liabilities	683.9	619.3	10.7	9.3	694.6	628.6
Net Assets:						
Invested in capital assets, net of related debt	2,234.8	2,074.0	3.6	3.8	2,238.4	2,077.8
Unrestricted	(446.6)	(367.1)	(6.8)	(7.5)	(453.4)	(374.6)
Total net assets	\$ 1,788.2	\$ 1,706.9	\$ (3.2)	\$ (3.7)	\$ 1,785.0	\$ 1,703.2



**Government-wide Financial Analysis**

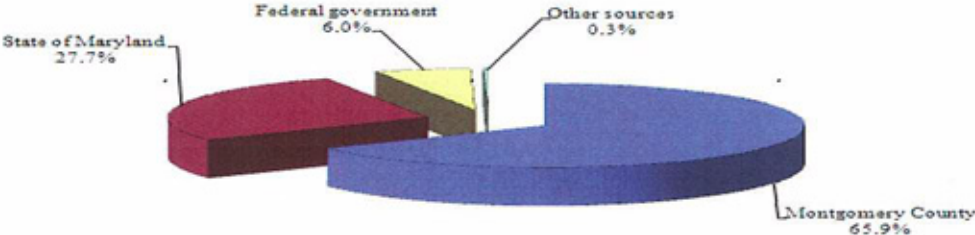
Net assets may serve as a useful indicator of a government’s financial position. MCPS’ net assets, the amount by which assets exceed liabilities, increased \$81.8 million to \$1,785.0 million. Most of the increase came from governmental activities, which increased by \$81.3 million to \$1,788.2 million. The largest portion of net assets 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. Investment in capital assets, net of related debt for governmental activities increased \$160.8 million to \$2,234.8 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 assets deficit increased \$78.8 million to a \$453.4 million deficit at June 30, 2012. The increase in unrestricted net assets deficit is primarily attributed to the increase in the net OPEB obligation of \$90.9 million. The net OPEB obligation arose from and will continue to increase as MCPS transitions to full funding of the annual required contribution for postemployment health benefits over a period of eight years.

The deficit in unrestricted net assets 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 meets its fiscal obligations and to fund its current operations.

**Revenues by Source - Governmental Activities**



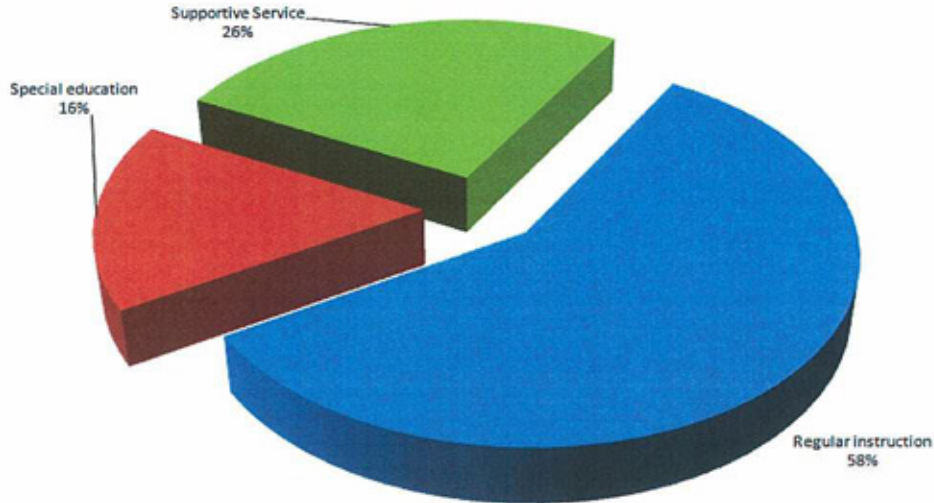
**Governmental activities.** Governmental activities unrestricted net deficit increased \$79.5 million to a deficit of \$446.6 million at June 30, 2012. The increase in unrestricted net deficit arose primarily from an increase of \$90.9 million in the net OPEB obligation. That increase was partially offset by \$28.6 million in savings in General Fund operations, less \$17.0 million in net assets used to fund 2012 operations.

Total revenues for MCPS' governmental activities increased \$66.6 million (2.7 percent). Intergovernmental revenues increased \$90.8 million (4.0 percent), and operating grants revenues decreased \$29.1 million (25.8 percent). Intergovernmental revenues from Montgomery County increased \$28.5 million (18 percent). An increase of \$53.5 million in capital projects revenue was offset by a decrease of \$25.0 million in general operating revenue in 2012. Intergovernmental revenue from the State of Maryland increased \$93.1 million (13.9 percent), related to an increase of \$88.7 million in unrestricted *Bridge to Excellence* formula-driven grants, and increase of \$3.1 million in construction funds, and an increase of \$1.3 million in the state's pension contribution made on behalf of MCPS employees. Federal intergovernmental revenue decreased \$30.8 million, largely due to the end of the State Fiscal Stabilization Fund Grant (\$29.3 million) under the *American Recovery and Reinvestment Act of 2009* (ARRA). Generally, ARRA grants expire September 30, 2011. During 2012, ARRA funds revenue was \$11.7 million, including \$4.3 million from the Education Jobs Fund ARRA Grant.

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

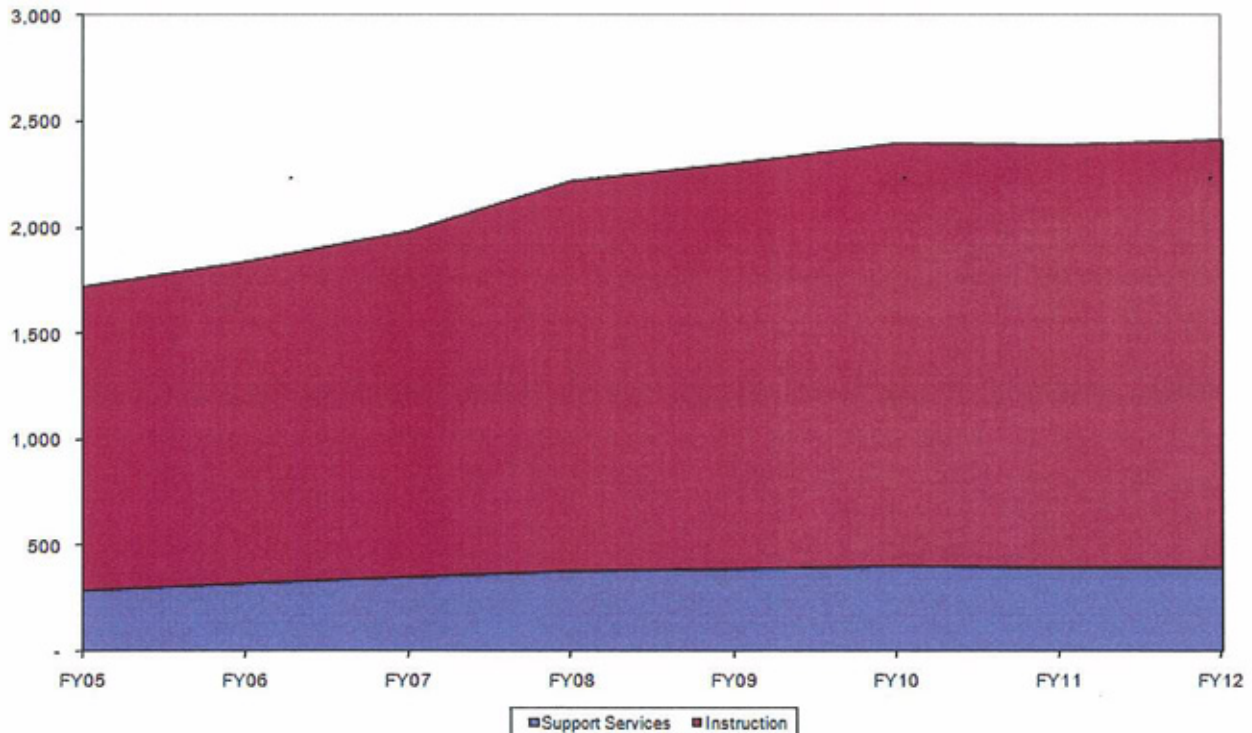
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3.8	\$ 4.1	\$ 26.1	\$ 26.7	\$ 29.9	\$ 30.8
Operating grants and contributions	83.5	112.6	30.6	27.8	114.1	140.4
Capital grants and contributions	59.4	54.3	0.5	0.7	59.9	55.0
General revenues:						
Intergovernmental	2,347.8	2,257.0			2,347.8	2,257.0
Other	0.5	0.4	-	-	0.5	0.4
<b>Total revenues</b>	<b>2,495.0</b>	<b>2,428.4</b>	<b>57.2</b>	<b>55.2</b>	<b>2,552.2</b>	<b>2,483.6</b>
<b>Expenses:</b>						
Regular instruction	1,401.0	1,395.8			1,401.0	1,395.8
Special education	392.9	381.2			392.9	381.2
School administration	202.7	198.5			202.7	198.5
Student personnel services	16.3	15.7			16.3	15.7
Health services	-	-			-	-
Student transportation	129.1	126.4			129.1	126.4
Operation of plant	147.3	149.7			147.3	149.7
Maintenance of plant	64.1	60.8			64.1	60.8
Administration	57.3	58.7			57.3	58.7
Community services	2.1	2.1			2.1	2.1
Interest on capital leases	0.9	1.2			0.9	1.2
Food services			49.7	48.2	49.7	48.2
Real estate management			3.2	3.0	3.2	3.0
Field trips			1.8	1.8	1.8	1.8
Entrepreneurial activities			2.0	2.0	2.0	2.0
<b>Total expenses</b>	<b>2,413.7</b>	<b>2,390.1</b>	<b>56.7</b>	<b>55.0</b>	<b>2,470.4</b>	<b>2,445.1</b>
Increase (decrease) in net assets	81.3	38.3	0.5	0.2	81.8	38.5
Net Assets—beginning	1,706.9	1,668.6	(3.7)	(3.9)	1,703.2	1,664.7
<b>Net Assets—ending</b>	<b>\$ 1,788.2</b>	<b>\$ 1,706.9</b>	<b>\$ (3.2)</b>	<b>\$ (3.7)</b>	<b>\$ 1,785.0</b>	<b>\$ 1,703.2</b>

**Expenses By Function - Governmental Activities**



Total expenses for MCPS governmental activities increased \$23.6 million (1.0 percent) to \$2,413.7 million. In 2012, instructional programs expenses accounted for 83.4 percent, (83.3 percent in 2011), and support services accounted for 16.6 percent (16.7 percent in 2011) of total governmental activities expenses. The proportion of instructional expenses to total expenses continues to rise as internal savings and cost reduction programs remain the primary source for funding instructional program initiatives. Employee healthcare and other postemployment healthcare benefits increased \$35.2 million (8.5 percent), principally due to increased funding of post employment health benefits. Salaries decreased \$22.6 million (1.6 percent) as a result of budget reductions. Negotiated salary rates were frozen at 2011 rates.

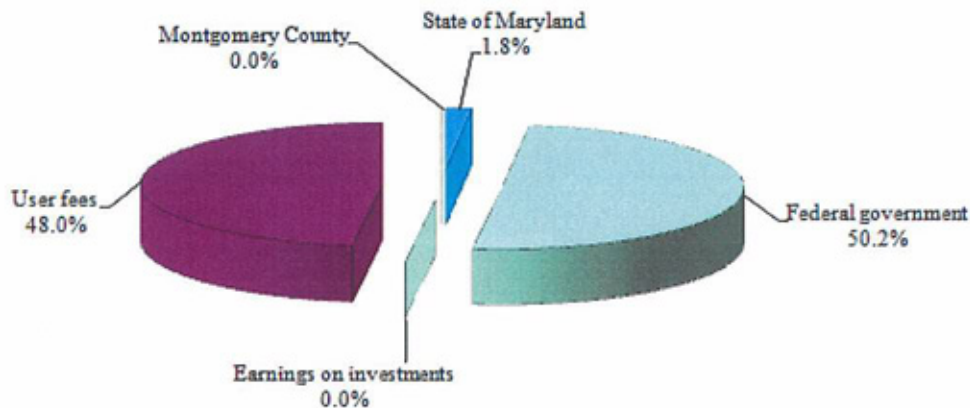
**Instruction vs. Support Services Expenses  
(Amount expressed in millions)**



**Business-type activities.** Business-type activities increased MCPS' net assets by \$0.5 million. Total revenues increased \$2.0 million (3.6 percent) to \$57.2 million. Charges for services decreased \$0.6 million (1.1 percent) principally due to a decline in curriculum royalty revenue, offset by an increase in food sales. The number of reimbursable meals increased approximately 900,000 (6.6 percent) to 14,600,000. Operating grants related to federal student lunch programs increased \$2.8 million (10.1 percent).

Total expenses increased \$1.7 million (3.1 percent). Food services operating expenses increased \$1.5 million (3.1 percent). Food costs increased \$0.9 million (7.2 percent) due to an increase in meals served. Employee health benefit costs increased \$1.3 million (11.5 percent).

### Revenues by Source - Business-type Activities



### Financial Analysis of MCPS' Funds

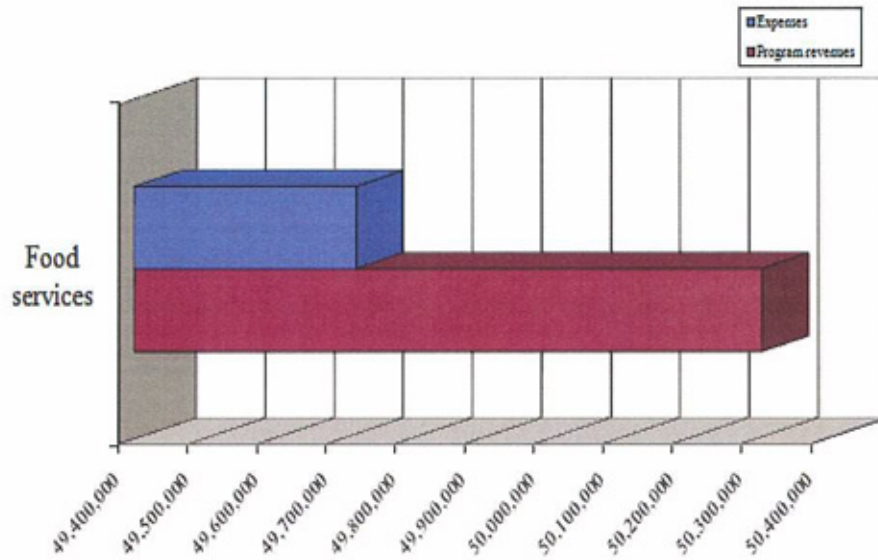
MCPS uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions.

**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.

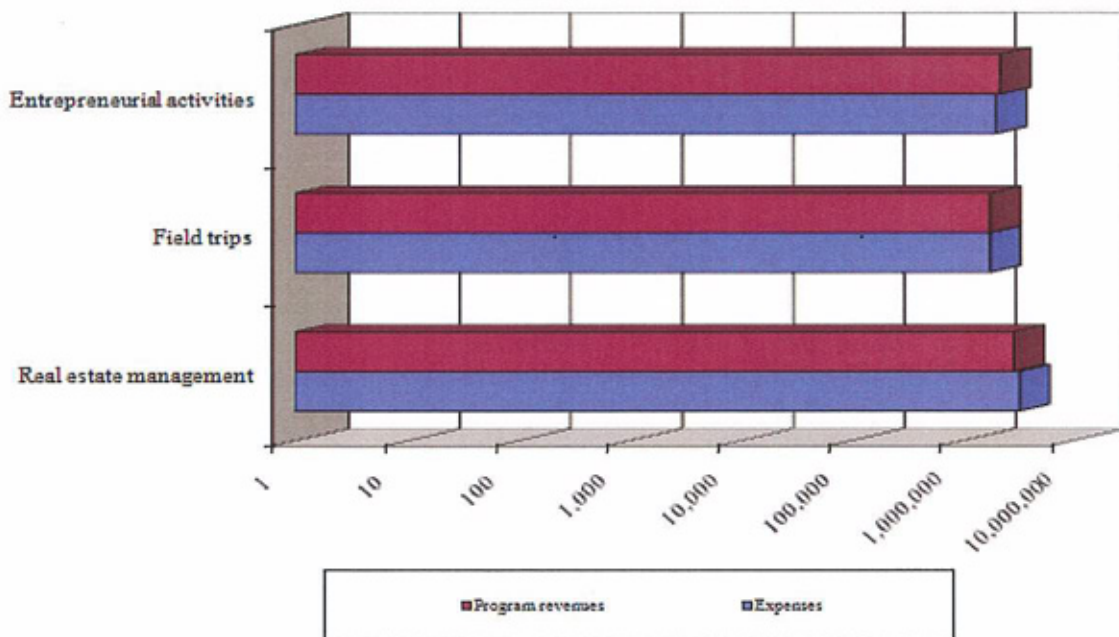
As of the end of the current fiscal year, MCPS' governmental funds reported combined ending fund balance of \$43.3 million, an increase of \$13.1 million from the prior year. Fund balance restricted for the instructional TV program of \$0.3 million was unchanged from the prior year.

The general fund is the principal operating fund of MCPS. At June 30, 2012, fund balance was \$43.0 million. Nonspendable fund balance was \$7.3 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs increased by \$0.7 million to 7.1 million. Unassigned fund balance increased by \$11.7 million to \$28.7 million at June 30, 2012.

### 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 2012 was \$2051.9 million, the same as the original budget. There were no supplemental appropriations requested during the year.

Actual budgetary fund balance increased by \$5.2 million to \$40.5 million. The increase in fund balance resulted primarily from an agreement with the Montgomery County Council to generate at least \$17.0 million in savings to be used toward funding the 2013 operating budget.

Actual revenues were \$12.2 million under budget for the year. Unrestricted revenue was \$0.7 million in excess of budget. Revenue from nonresident tuition was up \$0.2 million and Federal Impact Aid was up \$0.2 million. Restricted revenues were \$12.9 million under budget, of which \$3.5 million comprised estimated restricted grant activity that did not materialize, and \$9.2 million in unrealized revenue for grants that carried forward into 2013.

Actual expenditures were \$40.8 million under budget. Restricted expenditures were \$12.9 million less than the budget, which consisted of \$9.2 million in unspent funds for grants that carry forward into 2013, and \$3.7 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$27.9 million under budget. A savings plan implemented during the year reduced expenditures. In agreement with the Montgomery County Council, \$17.0 million in savings would be used in funding the FY 2013 budget. Higher than budgeted instructional salaries lapse and turnover savings of \$10.3 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, 2012, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$2,262.9 million, net of accumulated depreciation. This amount represents a net increase of \$163.9 million or 7.8 percent from last year. The net value of buildings, less accumulated depreciation, increased \$86.0 million and construction in progress increased \$65.9 million.

**Montgomery County Public Schools Capital Assets**

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 74.7	\$ 74.7	\$	\$	\$ 74.7	\$ 74.7
Buildings	1,742.8	1,656.8			1,742.8	1,656.8
Improvements other than buildings	179.1	170.0			179.1	170.0
Vehicle and equipment	54.8	51.8	3.8	3.9	58.6	55.7
Construction	207.7	141.8			207.7	141.8
<b>Total</b>	<b>\$ 2,259.1</b>	<b>\$ 2,095.1</b>	<b>\$ 3.8</b>	<b>\$ 3.9</b>	<b>\$ 2,262.9</b>	<b>\$ 2,099.0</b>

To relieve overcrowding, reduce the number of relocatable classrooms, and accommodate full-day kindergarten, in FY 2012, MCPS added 146 classrooms through school modernizations and additions. In FY 2013, MCPS will add 58 classrooms through modernization projects and the opening of new elementary school.

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

**Long-term debt.** At June 30, 2012, MCPS had \$38.3 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 \$25.3 million during 2012. Principal payments on existing capital leases were \$19.0 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. In FY 2012 Montgomery County contributed \$20.0 million on behalf of MCPS to maintain progress toward completion of the eight-year phase-in. In FY 2013, the Montgomery County Council will contribute \$58.9 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.

**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.

**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, *Our Call to Action: Pursuit of Excellence*, 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 ASSETS  
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Educational Foundation
<b>Assets</b>				
Equity in pooled cash and investments	\$ 11,973,943	\$ 2,658,881	\$ 14,632,824	\$
Cash and cash equivalents		8,820,791	8,820,791	109,259
Investments - cash equivalents	63,174,896		63,174,896	
Investments				4,509,331
Accounts receivable:				
Montgomery County	84,318,077	170,712	84,488,789	
State of Maryland	10,187,933	183,583	10,371,516	
Federal government	8,363,216	1,332,901	9,696,117	
Other	14,503,286	204,569	14,707,855	
Due from component unit	161,787		161,787	
Internal balances	10,846,740	(10,846,740)		
Inventories	7,000,143	1,089,081	8,089,224	
Prepays	309,910		309,910	
Due from employees	347,827		347,827	
Net Pension Asset	1,892,720		1,892,720	
Capital assets (net of accumulated depreciation):				
Land	74,678,201		74,678,201	
Buildings and additions	1,742,751,878		1,742,751,878	
Improvements other than buildings	179,095,713		179,095,713	
Construction in progress	207,712,314		207,712,314	
Vehicles and equipment	54,830,036	3,838,712	58,668,748	
<b>Total assets</b>	<b>2,472,148,620</b>	<b>7,452,490</b>	<b>2,479,601,110</b>	<b>4,618,590</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities	120,990,657	414,045	121,404,702	
Due to primary government				161,787
Due to external parties	16,335,862		16,335,862	
Unearned revenue	2,358,871	2,262,215	4,621,086	
Noncurrent liabilities:				
Due within one year	21,313,697	141,009	21,454,706	
Due in more than one year	522,944,701	7,856,846	530,801,547	
<b>Total liabilities</b>	<b>683,943,788</b>	<b>10,674,115</b>	<b>694,617,903</b>	<b>161,787</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets, net of related debt	2,234,805,426	3,570,524	2,238,375,950	
Restricted for:				
Instructional Programs, Expendable				520,319
Scholarships, Non-Expendable				3,114,622
Unrestricted	(446,600,594)	(6,792,149)	(453,392,743)	821,862
<b>Total net assets (deficit)</b>	<b>\$ 1,788,204,832</b>	<b>\$ (3,221,625)</b>	<b>\$ 1,784,983,207</b>	<b>\$ 4,456,803</b>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,401,069,607	\$ 3,199,136	\$ 35,989,787	\$ 33,548,245
Special education	392,862,396	266,219	38,894,069	
School administration	202,692,468		3,596,244	
Student personnel services	16,251,838		705,200	
Health services	17,911			
Total instruction	<u>2,012,894,220</u>	<u>3,465,355</u>	<u>79,185,300</u>	<u>33,548,245</u>
Support services:				
Student transportation	129,115,379	355,516	333,335	-
Operation of plant	147,289,980		2,122,849	2,248,271
Maintenance of plant	64,129,559		3,382	18,183,201
Administration	57,291,531		332,488	5,408,252
Community services	2,090,179		1,497,417	
Interest on capital leases	897,345			
Total support services	<u>400,813,973</u>	<u>355,516</u>	<u>4,289,471</u>	<u>25,839,724</u>
Total governmental activities	<u>2,413,708,193</u>	<u>3,820,871</u>	<u>83,474,771</u>	<u>59,387,969</u>
Business-type activities:				
Food services	49,720,564	19,252,693	30,590,480	464,308
Real estate management	3,220,047	2,892,122		
Field trips	1,770,547	1,778,378		
Entrepreneurial activities	1,983,788	2,186,618		
Total business-type activities	<u>56,694,946</u>	<u>26,109,811</u>	<u>30,590,480</u>	<u>464,308</u>
Total primary government	<u>\$ 2,470,403,139</u>	<u>\$ 29,930,682</u>	<u>\$ 114,065,251</u>	<u>\$ 59,852,277</u>
<b>Component Unit:</b>				
Educational Foundation	<u>\$ 1,103,488</u>	<u>\$ -</u>	<u>\$ 1,010,279</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit Educational Foundation
	Business-Type Activities	Total	
\$ (1,328,332,439)	\$ -	\$ (1,328,332,439)	\$ -
(353,702,108)		(353,702,108)	
(199,096,224)		(199,096,224)	
(15,546,638)		(15,546,638)	
(17,911)		(17,911)	
<u>(1,896,695,320)</u>	<u>-</u>	<u>(1,896,695,320)</u>	<u>-</u>
(128,426,528)		(128,426,528)	
(142,918,860)		(142,918,860)	
(45,942,976)		(45,942,976)	
(51,550,791)		(51,550,791)	
(592,762)		(592,762)	
(897,345)		(897,345)	
<u>(370,329,262)</u>	<u>-</u>	<u>(370,329,262)</u>	<u>-</u>
<u>(2,267,024,582)</u>	<u>-</u>	<u>(2,267,024,582)</u>	<u>-</u>
	586,917	586,917	
	(327,925)	(327,925)	
	7,831	7,831	
	202,830	202,830	
<u>-</u>	<u>469,653</u>	<u>469,653</u>	<u>-</u>
<u>(2,267,024,582)</u>	<u>469,653</u>	<u>(2,266,554,929)</u>	<u>-</u>
			<u>(93,209)</u>
1,581,675,500		1,581,675,500	
761,695,928		761,695,928	
4,414,871		4,414,871	
526,078	32,892	558,970	
<u>2,348,312,377</u>	<u>32,892</u>	<u>2,348,345,269</u>	<u>-</u>
81,287,795	502,545	81,790,340	(93,209)
1,706,917,037	(3,724,170)	1,703,192,867	4,550,012
<u>\$ 1,788,204,832</u>	<u>\$ (3,221,625)</u>	<u>\$ 1,784,983,207</u>	<u>\$ 4,456,803</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash and investments	\$ 11,973,943	\$ -	\$ -	\$ 11,973,943
Accounts receivable:				
Montgomery County	50,551,993	33,766,084		84,318,077
State of Maryland	5,158,864	5,029,069		10,187,933
Federal government	8,363,216			8,363,216
Other	14,387,760	65,817		14,453,577
Due from other funds	13,104,839	303,505	294,444	13,702,788
Due from fiduciary funds	1,325,276			1,325,276
Due from component unit	161,787			161,787
Inventories	7,000,143			7,000,143
Prepays	309,910			309,910
Due from employees	347,827			347,827
Total assets	<u>\$ 112,685,558</u>	<u>\$ 39,164,475</u>	<u>\$ 294,444</u>	<u>\$ 152,144,477</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 24,992,075	\$ 25,888,313	\$ 574	\$ 50,880,962
Retainage payable		10,426,716		10,426,716
Accrued salaries and withholdings	36,580,118			36,580,118
Due to other funds	420,065	2,849,446	6,602	3,276,113
Unearned revenue	2,358,871			2,358,871
Compensated absences	5,295,076			5,295,076
Total liabilities	<u>69,646,205</u>	<u>39,164,475</u>	<u>7,176</u>	<u>108,817,856</u>
Fund Balances:				
Nonspendable:				
Inventories	7,000,143			7,000,143
Prepays	309,910			309,910
Restricted for:				
Instructional TV program			287,268	287,268
Committed for:				
Capital Projects Fund				
Assigned for:				
Instructional programs	7,069,165			7,069,165
Unassigned	28,660,135			28,660,135
Total fund balances	<u>43,039,353</u>	<u>-</u>	<u>287,268</u>	<u>43,326,621</u>
Total liabilities and fund balances	<u>\$ 112,685,558</u>	<u>\$ 39,164,475</u>	<u>\$ 294,444</u>	<u>\$ 152,144,477</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 ASSETS  
JUNE 30, 2012

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

Total fund balances - governmental funds		\$ 43,326,621
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	\$ 3,239,451,780	
Accumulated depreciation is	<u>(980,383,638)</u>	2,259,068,142
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.		
		22,880,671
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	(37,674,880)	
Compensated absences	\$ (115,339,068)	
Compensated absences-Governmental Funds	<u>5,295,076</u>	
	(110,043,992)	
Net pension asset	1,892,720	
OPEB obligation	<u>(391,244,450)</u>	
		<u>(537,070,602)</u>
Total net assets - governmental activities		<u>\$ 1,788,204,832</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, 2012

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
<b>Revenues:</b>				
Montgomery County	\$ 1,390,271,392	\$ 244,053,871	\$ -	\$ 1,634,325,263
State of Maryland	732,393,847	33,518,385		765,912,232
Federal government	83,820,325	4,489,654		88,309,979
Other sources	5,023,515		1,425,000	6,448,515
Total revenues	<u>2,211,509,079</u>	<u>282,061,910</u>	<u>1,425,000</u>	<u>2,494,995,989</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	35,931,627			35,931,627
Mid-level administration	132,955,672			132,955,672
Instructional salaries and wages	806,181,103			806,181,103
Instructional textbooks and supplies	24,407,914			24,407,914
Other instructional costs	13,588,680			13,588,680
Special education	270,775,788			270,775,788
Student personnel services	10,649,399			10,649,399
Health services	16,908			16,908
Student transportation	95,559,434			95,559,434
Operation of plant	111,067,453			111,067,453
Maintenance of plant	31,575,617			31,575,617
Fixed charges	666,817,831			666,817,831
Community services	102,190		1,417,439	1,519,629
<b>Debt service:</b>				
Capital lease principal	10,935,414	7,909,474		18,844,888
Capital lease interest	728,190	169,155		897,345
Capital outlay		286,212,343		286,212,343
Total expenditures	<u>2,211,293,220</u>	<u>294,290,972</u>	<u>1,417,439</u>	<u>2,507,001,631</u>
Excess (deficiency) of revenues over expenditures	<u>215,859</u>	<u>(12,229,062)</u>	<u>7,561</u>	<u>(12,005,642)</u>
<b>Other financing sources:</b>				
Capital lease financing	12,884,839	12,229,062		25,113,901
Total other financing sources	<u>12,884,839</u>	<u>12,229,062</u>	<u>-</u>	<u>25,113,901</u>
Net change in fund balances	13,100,698	-	7,561	13,108,259
Fund balances - beginning	<u>29,938,655</u>	<u>-</u>	<u>279,707</u>	<u>30,218,362</u>
Fund balances - ending	<u>\$ 43,039,353</u>	<u>\$ -</u>	<u>\$ 287,268</u>	<u>\$ 43,326,621</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, 2012

Total net change in fund balances - governmental funds \$ 13,108,259

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 assets 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 (\$286,212,343 less non-capitalized items of \$59,387,969) plus capital outlays for general fund assets (\$13,916,590) exceed depreciation expense (\$75,889,050) in the current period. 164,851,914

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 assets. (897,815)

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 assets. 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 assets. (6,269,013)

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	\$ (90,952,116)	
Compensated absences	(621,539)	
Change in net pension obligation	<u>786,120</u>	(90,787,535)

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. 1,281,985

Change in net assets of governmental activities \$ 81,287,795

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, 2012

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
<b>Revenues:</b>						
Montgomery County	\$ -	\$ 1,370,101,480	\$ 1,370,101,480	\$ 1,370,278,730	\$ 1,370,271,392	\$ (7,338)
State of Maryland	-	559,931,983	559,931,983	561,478,502	561,198,422	(280,080)
Federal government	-	85,006,788	85,006,788	88,727,688	79,853,931	(8,873,757)
Other sources	-	13,492,621	13,492,621	8,047,952	5,023,515	(3,024,437)
<b>Total revenues</b>	<b>-</b>	<b>2,028,532,872</b>	<b>2,028,532,872</b>	<b>2,028,532,872</b>	<b>2,016,347,260</b>	<b>(12,185,612)</b>
<b>Expenditures and encumbrances:</b>						
<b>Current:</b>						
Administration	212,496	38,692,688	38,905,184	38,692,300	37,549,123	1,143,177
Mid-level administration	41,039	138,978,239	139,019,278	138,182,178	133,588,616	4,593,562
Instructional salaries and wages	-	822,500,808	822,500,808	823,401,769	806,916,675	16,485,094
Instructional textbooks and supplies	1,652,193	25,112,398	26,764,591	26,871,511	25,652,815	1,218,696
Other instructional costs	1,981,602	15,983,771	17,965,373	16,610,365	14,922,917	1,687,448
Special education	53,703	275,747,231	275,800,934	275,578,219	271,157,766	4,420,453
Student personnel services	-	11,041,328	11,041,328	10,919,484	10,649,301	270,183
Health services	-	54,670	54,670	54,670	16,908	37,762
Student transportation	707,293	93,273,041	93,980,334	93,978,639	93,770,803	207,836
Operation of plant	874,965	118,027,667	118,902,632	118,902,633	112,438,570	6,464,063
Maintenance of plant	279,755	32,396,397	32,676,152	32,701,152	32,495,704	205,448
Fixed charges	567,948	473,463,790	474,031,738	475,750,102	471,846,182	3,903,920
Community services	-	260,844	260,844	260,844	102,190	158,654
<b>Total expenditures and encumbrances</b>	<b>6,370,994</b>	<b>2,045,532,872</b>	<b>2,051,903,866</b>	<b>2,051,903,866</b>	<b>2,011,107,570</b>	<b>40,796,296</b>
Excess (deficiency) of revenues over expenditures and encumbrances	(6,370,994)	(17,000,000)	(23,370,994)	(23,370,994)	5,239,690	28,610,684
Fund balance - beginning	6,370,994	17,000,000	23,370,994	23,370,994	35,275,573	11,904,579
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 40,515,263	\$ 40,515,263

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 2,658,881	\$ 2,658,881	\$ -
Cash and cash equivalents	8,820,791		8,820,791	
Investments - cash equivalents				63,174,896
Accounts receivable:				
Montgomery County	170,712		170,712	
State of Maryland	183,583		183,583	
Federal government	1,332,901		1,332,901	
Other		204,569	204,569	49,710
Due from other funds		101,734	101,734	420,065
Inventories	1,085,811	3,270	1,089,081	
Total current assets	<u>11,593,798</u>	<u>2,968,454</u>	<u>14,562,252</u>	<u>63,644,671</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	3,836,487	2,225	3,838,712	
Total noncurrent assets	<u>3,836,487</u>	<u>2,225</u>	<u>3,838,712</u>	<u>-</u>
Total assets	<u>15,430,285</u>	<u>2,970,679</u>	<u>18,400,964</u>	<u>63,644,671</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	257,535	156,510	414,045	224,822
Claims payable				19,401,716
Due to employees, advance premium withholdings				3,476,323
Due to other funds	10,948,474		10,948,474	
Due to external parties				17,661,139
Unearned revenue	1,862,292	399,923	2,262,215	
Capital leases - current	84,364	2,851	87,215	
Compensated absences - current	53,794		53,794	
Total current liabilities	<u>13,206,459</u>	<u>559,284</u>	<u>13,765,743</u>	<u>40,764,000</u>
Noncurrent liabilities:				
Net OPEB obligation	5,474,725		5,474,725	
Capital leases payable	183,825	325,274	509,099	
Compensated absences	1,612,619	260,403	1,873,022	
Total noncurrent liabilities	<u>7,271,169</u>	<u>585,677</u>	<u>7,856,846</u>	<u>-</u>
Total liabilities	<u>20,477,628</u>	<u>1,144,961</u>	<u>21,622,589</u>	<u>40,764,000</u>
<b>Net Assets (Deficit)</b>				
Invested in capital assets, net of related debt	3,568,299	2,225	3,570,524	
Unrestricted (deficit)	<u>(8,615,642)</u>	<u>1,823,493</u>	<u>(6,792,149)</u>	<u>22,880,671</u>
Total net assets (deficit)	<u>\$ (5,047,343)</u>	<u>\$ 1,825,718</u>	<u>\$ (3,221,625)</u>	<u>\$ 22,880,671</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 ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 19,252,693	\$ -	\$ 19,252,693	\$ -
Rent and fees		6,857,118	6,857,118	
Employer's contributions				241,504,153
Members' contributions				23,818,318
Total operating revenues	<u>19,252,693</u>	<u>6,857,118</u>	<u>26,109,811</u>	<u>265,322,471</u>
Operating expenses:				
Salaries and wages	17,716,610	2,478,383	20,194,993	
Contracted services	1,183,021	454,962	1,637,983	
Supplies and materials	1,647,392	978,751	2,626,143	
Food purchases	13,435,374		13,435,374	
USDA commodities	2,316,871		2,316,871	
Other charges	12,643,402	3,060,803	15,704,205	1,347,970
Depreciation	777,894	1,483	779,377	
Benefits paid to plan members				208,464,200
Premiums paid to insurance companies				54,254,565
Total operating expenses	<u>49,720,564</u>	<u>6,974,382</u>	<u>56,694,946</u>	<u>264,066,735</u>
Operating income (loss)	<u>(30,467,871)</u>	<u>(117,264)</u>	<u>(30,585,135)</u>	<u>1,255,736</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	27,268,869		27,268,869	
State funds	958,588		958,588	
Other funds	46,152		46,152	
USDA commodities	2,316,871		2,316,871	
Investment income	32,892		32,892	26,249
Total nonoperating revenues	<u>30,623,372</u>	<u>-</u>	<u>30,623,372</u>	<u>26,249</u>
Income (loss) before capital contributions and transfers	155,501	(117,264)	38,237	1,281,985
Capital contributions - equipment	<u>464,308</u>		<u>464,308</u>	
Change in net assets	619,809	(117,264)	502,545	1,281,985
Total net assets (deficit) - beginning	(5,667,152)	1,942,982	(3,724,170)	21,598,686
Total net assets (deficit) - ending	<u>\$ (5,047,343)</u>	<u>\$ 1,825,718</u>	<u>\$ (3,221,625)</u>	<u>\$ 22,880,671</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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 19,286,531	\$ 6,826,067	\$ 26,112,598	\$ 23,980,395
Receipts from assessments made to other funds				240,928,118
Payments to suppliers	(16,052,256)	(1,464,371)	(17,516,627)	(54,229,946)
Payments to employees	(18,111,728)	(2,667,108)	(20,778,836)	
Payments for insurance claims				(206,371,936)
Payments for assessments made by other funds	(9,388,062)	(344,542)	(9,732,604)	
Payments for other operating expenses	(1,573,046)	(2,524,765)	(4,097,811)	(1,347,970)
Net cash provided (used) by operating activities	<u>(25,838,561)</u>	<u>(174,719)</u>	<u>(26,013,280)</u>	<u>2,958,661</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating grants received	28,261,061		28,261,061	
Transfers (to) from other funds				3,458,952
Net cash provided by noncapital financing activities	<u>28,261,061</u>	<u>-</u>	<u>28,261,061</u>	<u>3,458,952</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital leases	241,670		241,670	
Purchases of capital assets	(260,460)		(260,460)	
Principal paid on capital leases	(146,862)	(2,717)	(149,579)	
Interest paid on capital leases	666		666	
Net cash (used) by capital and related financing activities	<u>(164,986)</u>	<u>(2,717)</u>	<u>(167,703)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	32,226		32,226	(22,644)
Net cash provided by investing activities	<u>32,226</u>	<u>-</u>	<u>32,226</u>	<u>(22,644)</u>
Net increase (decrease) in cash and cash equivalents	2,289,740	(177,436)	2,112,304	6,394,969
Cash and cash equivalents - beginning	6,531,051	2,836,317	9,367,368	56,779,927
Cash and cash equivalents - ending	<u>\$ 8,820,791</u>	<u>\$ 2,658,881</u>	<u>\$ 11,479,672</u>	<u>\$ 63,174,896</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (30,467,871)	\$ (117,264)	\$ (30,585,135)	\$ 1,255,736
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	777,894	1,483	779,377	
USDA commodities used	2,316,871		2,316,871	
Effects of changes in operating assets and liabilities:				
Receivables		(63,820)	(63,820)	
Due from other funds				(420,065)
Non USDA inventories	308,267		308,267	
Accounts payable	(15,015)	(30,658)	(45,673)	24,619
Claims payable				2,092,264
Advance premium withholdings				162,077
Due to other funds	(79,721)		(79,721)	(155,970)
Deferred revenue	33,838	32,769	66,607	
Net OPEB obligation	1,210,939		1,210,939	
Compensated absences	76,237	2,771	79,008	
Net cash provided (used) by operating activities	<u>\$ (25,838,561)</u>	<u>\$ (174,719)</u>	<u>\$ (26,013,280)</u>	<u>\$ 2,958,661</u>
<b>Noncash investing, capital and financing activities:</b>				
Capital contributions of equipment	\$ 464,308	\$ -	\$ 464,308	\$ -
USDA commodities received	(2,316,871)		(2,316,871)	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
<b>ASSETS</b>		
Cash	\$ -	\$ 16,446,640
Investments:		
Global equities	618,474,419	
Fixed income securities	281,972,925	
Real estate	80,214,755	
Alternative investments	69,844,021	
Short-term investments	8,010,401	
Total investments	1,058,516,521	-
Accounts receivable	2,786,673	1,732,482
Due from Internal Service Fund	17,661,139	
Due from County Consolidated Retiree Health Benefits Trust	20,464,897	
Inventories		159,169
 Total assets	 1,099,429,230	 \$ 18,338,291
<b>LIABILITIES</b>		
Accounts payable	28,743	1,572,989
Claims payable	5,709,983	
Due to general fund	1,325,276	
Due to student groups		16,765,302
 Total liabilities	 7,064,002	 \$ 18,338,291
<b>NET ASSETS</b>		
Held in trust for pension/other postemployment benefits	\$ 1,092,365,228	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Pension and Other Employee Benefits Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 139,343,492
Members	48,656,352
Federal government - Medicare Part D	<u>3,966,394</u>
Total contributions	<u>191,966,238</u>
Investment earnings:	
Net decrease in fair value of investments	(5,018,684)
Interest and dividends	11,072,712
Securities lending income	<u>150,998</u>
Total investment earnings	<u>6,205,026</u>
Less investment expense:	
Investment fees and other	(2,034,570)
Securities lending fees	<u>(27,235)</u>
Total investment expense	<u>(2,061,805)</u>
Net investment earnings /loss	<u>4,143,221</u>
Total additions	<u>196,109,459</u>
<b>DEDUCTIONS</b>	
Benefits paid to plan members	131,407,952
Premiums paid to insurance companies	12,244,985
Administrative expenses	<u>1,950,608</u>
Total deductions	<u>145,603,545</u>
Change in net assets	50,505,914
Net assets - beginning	<u>1,041,859,314</u>
Net assets - ending	<u><u>\$ 1,092,365,228</u></u>

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

INTENTIONALLY BLANK



MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

Note 1	Summary of Significant Accounting Policies
Note 2	Budgetary Information
Note 3	Deposits and Investments
Note 4	Interfund Receivables, Payables, and Transfers
Note 5	Due from Employees
Note 6	Capital Assets
Note 7	Payables
Note 8	Leases
Note 9	Long-Term Liabilities
Note 10	Risk Management
Note 11	Defined Benefit Pension Plans
Note 12	Postemployment Healthcare Benefits
Note 13	Trust Plans Condensed Financial Statements
Note 14	Contingencies

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

**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 assets 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  
YEAR ENDED JUNE 30, 2012

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  
YEAR ENDED JUNE 30, 2012

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.

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

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.

The component unit invests in an external investment pool. 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.

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012

The fair value of MCPS' position in the aforementioned pools is the same as the value of pool shares.

**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 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.

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

**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 funds 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 permanent fund. Not in spendable form includes item 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 9a) 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 Montgomery County Council capital improvements program. These amounts cannot be used for any other purpose unless approved by 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 9a) 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.

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

**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 2012, supplemental appropriations increasing the capital budget by \$6,699,278 were approved.

Encumbrances outstanding at year-end in the governmental funds are reported in accordance with GAAP as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances outstanding for the proprietary funds are eliminated for financial statement presentation. Annual appropriations that are not spent, encumbered, or designated 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 that 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  
YEAR ENDED JUNE 30, 2012

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	\$ 2,016,347,260	\$ 2,011,107,570	\$ -	\$ 5,239,690
Reconciling items:				
2012 Encumbrances outstanding		(7,069,165)		7,069,165
Decrease in compensated absences		(791,843)		791,843
State of Maryland retirement contributions	171,195,425	171,195,425		-
Montgomery County OPEB Contribution	20,000,000	20,000,000		-
Federal Medicare Part D contributions	3,966,394	3,966,394		-
Capital lease financing		12,884,839	12,884,839	-
As reported - GAAP basis	<u>\$ 2,211,509,079</u>	<u>\$ 2,211,293,220</u>	<u>\$ 12,884,839</u>	<u>\$ 13,100,698</u>

Governmental funds encumbrances outstanding at June 30, 2012 include \$7,069,165 for General Fund and \$232,184,086 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, 2012, \$3,306,291 of such purchase orders had been issued.

**3. Deposits and Investments**

Cash and investments at June 30, 2012, are summarized as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 14,632,824	\$ -
Cash and cash equivalents	8,820,791	109,259
Cash-fiduciary funds	16,446,640	
Investments - cash equivalents	63,174,896	
Investments		4,509,331
Investments-fiduciary funds	1,058,516,521	
Total	<u>\$ 1,161,591,672</u>	<u>\$ 4,618,590</u>

Deposits and Investments Summary:

Deposits	\$ 39,742,427	\$ 109,259
Investments	1,121,841,905	4,509,331
Cash on hand	7,340	
Total	<u>\$ 1,161,591,672</u>	<u>\$ 4,618,590</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 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



MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2012, the reported balance of MCPS' deposits was \$39,742,427 and the bank balance was \$48,026,316. 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, 2012, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 588,314,386
Fixed income securities	274,361,479
Real estate	80,214,755
Alternative investments	69,844,021
Short-term investments	8,010,401
Subtotal Pension Trust Investments	<u>1,020,745,042</u>
OPEB Plan Trust Investments:	
Equities index funds	30,160,033
Bond index fund	7,611,446
Subtotal OPEB Plan Trust investments	<u>37,771,479</u>
Other Investments:	
Mutual funds	63,325,384
Total investments	<u>\$ 1,121,841,905</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 not exceed plus or minus one year from the Barclay's Capital Aggregate Bond Index. The OPEB Plan Trust investment policy requires that the weighted average duration of the portfolio not vary from the Barclay's Capital Aggregate Bond Index by more than plus or minus 20 percent. During 2012, 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, 2012, fixed income investments had the following sensitivity to interest rates:

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 18,752,355	6.58
Government mortgage-backed securities	19,296,467	2.57
Asset-backed securities	3,669,962	2.85
Commercial mortgage-backed securities	3,192,911	1.74
Collateralized mortgage obligations	5,733,168	1.87
Corporate bonds	18,180,692	7.45
Sovereign bonds	1,501,804	6.51
Blackrock US debt fund	102,508,629	5.05
SSgA US aggregated bond index	101,525,491	4.40
Short-term	8,010,401	N/A
Sub-total Pension Trust Investments	<u>282,371,880</u>	
Other Investments:		
OPEB Plan Trust bond index fund	7,611,446	N/A
Total	<u>\$ 289,983,326</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, 2012, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	6.2 %	\$ 17,547,808
AAA	1.7	4,773,525
AA	9.4	26,525,007
A	3.7	10,322,928
BBB	2.9	8,241,618
BB	0.2	471,372
Not rated	75.9	214,489,622
Total	<u>100.0 %</u>	<u>\$ 282,371,880</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012

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 2012, 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, 2012, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
European Currency Unit	\$ 22,067	\$ 5,525,177	\$ 5,547,244
Japanese Yen	23,202		23,202
Swiss Franc	70,566		70,566
Polish Zloty	19,441		19,441
Total	<u>\$ 135,276</u>	<u>\$ 5,525,177</u>	<u>\$ 5,660,453</u>

*Commitments.* At June 30, 2012, outstanding commitments with private equity fund managers were \$18,949,220.

c) **Cash on Hand**

At year-end, the primary government had \$7,340 on hand in petty cash accounts.

**4. Interfund Receivables and Payables**

Balances due to/from other funds at June 30, 2012, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 2,856,048
Due to the general fund from enterprise funds representing advances of pooled cash	10,948,474
Due to the internal service fund from the general fund for employee benefit plan expenditures	420,065
Due to pension and employee benefits trust funds representing OPEB investments held in a non irrevocable trust by the internal service fund	<u>17,661,139</u>
Total	<u>\$ 31,885,726</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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

Due from other funds, Balance Sheet-Governmental Funds	\$ 13,702,788
Due from other funds, Statement of Net Assets-Proprietary Funds	101,734
Due from general fund from internal service fund, statement of Net Assets-Proprietary Funds	420,065
Due from general and internal service funds, Statement of Net Assets-Fiduciary Funds	<u>17,661,139</u>
<b>Total</b>	<b>\$ <u>31,885,726</u></b>

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

**5. Due From Employees**

The \$347,827 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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 74,678,201	\$ -	\$ -	\$ 74,678,201
Construction in progress	141,778,708	212,292,621	146,359,015	207,712,314
Total nondepreciable capital assets	<u>216,456,909</u>	<u>212,292,621</u>	<u>146,359,015</u>	<u>282,390,515</u>
Depreciable capital assets:				
Buildings and improvements	2,432,662,285	147,305,359	5,087,497	2,574,880,147
Site improvements	216,776,803	13,585,409	-	230,362,212
Vehicles and equipment	148,898,588	13,916,590	10,996,272	151,818,906
Total depreciable capital assets	<u>2,798,337,676</u>	<u>174,807,358</u>	<u>16,083,769</u>	<u>2,957,061,265</u>
Less accumulated depreciation for:				
Buildings and improvements	775,824,819	60,788,566	4,485,116	832,128,269
Site improvements	46,803,635	4,462,864	-	51,266,499
Vehicles and equipment	97,052,088	10,637,620	10,700,838	96,988,870
Total accumulated depreciation	<u>919,680,542</u>	<u>75,889,050</u>	<u>15,185,954</u>	<u>980,383,638</u>
Total depreciable capital assets, net	<u>1,878,657,134</u>	<u>98,918,308</u>	<u>897,815</u>	<u>1,979,677,627</u>
Government activities capital assets, net	<u>\$ 2,095,114,043</u>	<u>\$ 311,210,929</u>	<u>\$ 147,256,830</u>	<u>\$ 2,259,068,142</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Depreciable capital assets:				
Vehicles and equipment	\$ 17,373,382	\$ 774,421	\$ 481,668	\$ 17,666,135
Total depreciable capital assets	<u>17,373,382</u>	<u>774,421</u>	<u>481,668</u>	<u>17,666,135</u>
Less accumulated depreciation for:				
Vehicles and equipment	13,480,061	779,377	432,015	13,827,423
Total accumulated depreciation	<u>13,480,061</u>	<u>779,377</u>	<u>432,015</u>	<u>13,827,423</u>
Business-type activities capital assets, net	<u>\$ 3,893,321</u>	<u>\$ (4,956)</u>	<u>\$ 49,653</u>	<u>\$ 3,838,712</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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

<b>Governmental Activities:</b>	
Regular instruction	\$ 64,170,501
Special education	209,259
School administration	56,889
Student transportation	8,198,664
Operation of plant	132,637
Maintenance of plant	2,582,846
Administration	538,254
Total depreciation expense-governmental activities	<u>\$ 75,889,050</u>
 <b>Business-Type Activities:</b>	
Food services	\$ 777,894
Real estate management	1,483
Total depreciation expense-business-type activities	<u>\$ 779,377</u>

Commitments for ongoing construction in progress at June 30, 2012, are \$232,184,086.

**7. Payables**

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2012 are as follows:

	Governmental Activities		Business-Type Activities		Total
Accounts payable	\$ 51,105,784	\$	414,045	\$	51,519,829
Retainage payable	10,426,716				10,426,716
Accrued salaries and withholdings	36,580,118				36,580,118
Claims payable	19,401,716				19,401,716
Due to employees-advance premium withholding	3,476,323				3,476,323
Total accounts payable and other current liabilities	<u>\$ 120,990,657</u>	\$	<u>414,045</u>	\$	<u>121,404,702</u>

**8. Leases**

**a) Operating Leases**

Expenditures under lease agreements for office space and equipment were approximately \$4,850,000 in 2012. Commitments for fiscal year 2013 under lease agreements are approximately \$3,265,000. 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 2017. Lease payments, including interest, in fiscal year 2012 were \$11,663,604 for the General Fund, \$8,078,629 for the Capital Projects Fund and \$172,053 for the Enterprise Funds.

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

Assets acquired through capital leases are as follows:

	Governmental Activities	Business- Type Activities
Vehicles and equipment	\$ 46,541,834	\$ 429,295
Less: accumulated depreciation	(9,782,135)	(49,158)
Total	<u>\$ 36,759,699</u>	<u>\$ 380,137</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2013	\$ 14,070,394	\$ 109,224
2014	11,211,607	109,224
2015	8,088,808	68,962
2016	3,946,124	384,803
2017	2,050,206	-
Total minimum lease payments	39,367,139	672,213
Less : Amount representing interest	(1,692,259)	(75,899)
Present value of future minimum lease payments	<u>\$ 37,674,880</u>	<u>\$ 596,314</u>

\$24,262,716 of outstanding capital lease obligations for governmental activities at June 30, 2012, was used to acquire capital assets.

**9. Long-Term Liabilities**

Long-term liability activities during 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 31,405,867	\$ 25,113,901	\$ 18,844,888	\$ 37,674,880	\$ 13,269,121
Compensated absences	115,509,372	7,435,422	7,605,726	115,339,068	8,044,576
Net OPEB obligation	300,292,334	109,000,239	18,048,123	391,244,450	-
Total	<u>\$ 447,207,573</u>	<u>\$ 141,549,562</u>	<u>\$ 44,498,737</u>	<u>\$ 544,258,398</u>	<u>\$ 21,313,697</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Capital leases	\$ 504,223	\$ 241,670	\$ 149,579	\$ 596,314	\$ 87,215
Compensated absences	1,847,808	133,855	54,847	1,926,816	53,794
Net OPEB obligation	4,263,786	1,463,488	252,549	5,474,725	-
Total	<u>\$ 6,615,817</u>	<u>\$ 1,839,013</u>	<u>\$ 456,975</u>	<u>\$ 7,997,855</u>	<u>\$ 141,009</u>

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

**10. Risk Management**

MCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or students; natural disasters; and employee health benefits. MCPS participates in the Montgomery County Liability and Property Coverage Self-

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012

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 \$19,401,716 and \$5,709,983 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2012, 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 2011 and 2012 are reflected below.

	<u>Beginning Payable</u>	<u>Incurred Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>Ending Payable</u>
<b>2012</b>				
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>
<b>2011</b>				
Internal Service Fund	\$ 18,380,085	\$ 196,411,062	\$ (197,481,695)	\$ 17,309,452
Fiduciary Funds	7,424,499	60,150,681	(62,362,051)	5,213,129
Total	<u>\$ 25,804,584</u>	<u>\$ 256,561,743</u>	<u>\$ (259,843,746)</u>	<u>\$ 22,522,581</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.

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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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 \$171,195,425, \$169,926,025 and \$149,981,157 in 2012, 2011 and 2010 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. For 2013, MCPS is required to contribute \$27,227,553 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 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.



MONTGOMERY COUNTY PUBLIC SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012

At July 1, 2011 the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	11,469
Terminated plan members entitled to benefits but not yet receiving them	4,338
Active plan members	<u>21,602</u>
Total	<u>37,409</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 Cumulative effect of the plan changes was to reduce the MCPS contribution rate from 5.57 percent to 5.12 percent of covered payroll for 2012.

*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	\$ 68,921,784
Contributions made	<u>69,707,904</u>
Change in net pension asset	(786,120)
Net pension asset beginning of year	<u>(1,106,600)</u>
Net pension asset end of year	<u>\$ (1,892,720)</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)
2010	\$ 59,982,555	105 %	\$ -
2011	63,707,764	102	(1,106,600)
2012	68,921,784	101	(1,892,720)

The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation, as amended for the July 1, 2011 plan changes, using the projected unit credit

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

cost method and, except as noted, the same actuarial assumptions used in the latest actuarial valuation, as follows:

Valuation date	July 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	July 1, 2006 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: 26 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% (4.0 –6.5% in 2009 valuation)
Cost of living adjustments	1.95% - 3%

*Funded Status and Funding Progress.* The funded status of the plan as of July 1, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 1,454,465,469
Actuarial value of plan assets	1,019,669,003
Unfunded actuarial accrued liability (UAAL)	<u>\$ 434,796,466</u>
Funded ratio (actuarial value of plan assets/AAL)	70.1 %
Covered payroll (active plan members)	\$ 1,306,604,776
UAAL as a percentage of covered payroll	33.3%

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 employee 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.

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012

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 employee 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 2012, plan members and beneficiaries receiving benefits contributed \$28,218,174 (approximately 27.3 percent of current contributions). MCPS and other contributing entities' contributed \$73,601,982 (approximately 72.3 percent of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

Effective July 1, 2011, the Montgomery County Council created a consolidated OPEB Plan Trust that expanded the county OPEB Plan 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 2012, the Montgomery County Council contributed \$20,000,000 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, present 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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$ 161,224,000
Interest on net OPEB obligation	22,841,709
Adjustment to annual required Contribution	<u>(18,300,672)</u>
Annual OPEB cost	165,765,037
Contributions made	<u>73,601,982</u>
Increase in net OPEB obligation	92,163,055
Net OPEB obligation – beginning of year	<u>304,556,120</u>
Net OPEB obligation – end of year	<u>\$ 396,719,175</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
2010	\$ 134,291,878	33.9%	\$ 217,750,579
2011	135,648,398	36.0	304,556,120
2012	165,765,037	44.4	396,719,175

*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, Open basis
Remaining amortization period	30 years

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

**13. Trust Plans Condensed Financial Statements**

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

**CONDENSED STATEMENT OF FIDUCIARY NET ASSETS**

	Retirement and Pension System	OPEB Plan Trust	Total
<b>Assets:</b>			
Current assets	\$ 1,021,730,759	\$ 77,698,471	\$ 1,099,429,230
Total assets	1,021,730,759	77,698,471	1,099,429,230
<b>Liabilities:</b>			
Total liabilities	1,058,871	6,005,131	7,064,002
<b>Net Assets:</b>			
Held in trust for pension/ Other postemployment benefits	\$ 1,020,671,888	\$ 71,693,340	\$ 1,092,365,228

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

	Retirement and Pension System	OPEB Plan Trust	Total
<b>Additions:</b>			
Contributions	\$ 90,146,081	\$ 101,820,157	\$ 191,966,238
Net investment earnings	4,843,067	(699,846)	4,143,221
Total additions	94,989,148	101,120,311	196,109,459
<b>Deductions:</b>			
Benefit and premium payments	66,890,363	76,762,574	143,652,937
Administrative expenses	1,557,007	393,601	1,950,608
Total deductions	68,447,370	77,156,175	145,603,545
Change in net assets	26,541,778	23,964,136	50,505,914
Net assets - beginning	994,130,110	47,729,204	1,041,859,314
Net assets - ending	\$ 1,020,671,888	\$ 71,693,340	\$ 1,092,365,228

**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

MONTGOMERY COUNTY PUBLIC SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

and state grants and are included in the General Fund and the Enterprise Funds. Grant activities are subject to audit by the granting agencies.

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

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

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012**

**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)	UAAL 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

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)

**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 Ration (a/b)	Covered Payroll (c)	UAAL 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

## **SUPPLEMENTARY DATA**



## **GOVERNMENTAL FUNDS**

June 30, 2012

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 408,918,200	\$ 402,208,098	338,895,857	\$ (63,312,241)
State of Maryland	33,485,419	45,555,599	33,016,031	(12,539,568)
Federal	3,973,503	5,312,703	4,489,654	(823,049)
Other sources	368,285	368,285	-	(368,285)
Total revenues	446,745,407	453,444,685	376,401,542	(77,043,143)
Expenditures and encumbrances:				
Capital outlay	446,745,407	453,444,685	376,401,542	77,043,143
Total expenditures and encumbrances	446,745,407	453,444,685	376,401,542	77,043,143
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

**MONTGOMERY COUNTY PUBLIC SCHOOL  
SCHEDULE OF CONSTRUCTION IN PROGRESS  
CAPITAL PROJECTS FUND  
June 30, 2012**

FMS Award	Project Name	Project Authorization	Expended to Jun 30, 2012	Committed	Available for Future Expenditure
000000	Unliquidated Surplus	\$ 1,352,600	\$ -	\$ -	1,352,600
006503	Water and Indoor Air Quality Improvements	2,129,255	83,482	692,036	1,353,737
016505	Thomas W Pyle Middle School Addition	5,057,867	5,057,867	-	-
016506	Westland Middle School Addition	3,915,591	3,915,591	-	-
016519	Redland Middle School Improvements	14,233,000	14,000,468	216,034	16,498
016520	Ridgeview Middle School Improvements	13,524,000	12,094,198	1,314,671	115,131
016532	Fire Safety Code Upgrades	269,917	269,474	404	39
016545	Northwood High School	33,029,094	32,157,327	727,703	144,064
026503	Seven Locks Elementary School Addition/Modernization	18,787,529	18,453,776	252,874	80,879
026504	Travilah Elementary School	6,045,570	6,045,570	-	-
036501	Albert Einstein High School Signature Improvements	4,116,515	4,116,515	-	-
036502	Gaithersburg High School Addition	7,649,934	7,649,934	-	-
036510	The Schools and Libraries Program of the Universal Service Fund	9,024,835	-	1,103,754	7,921,081
056501	Restroom Renovations	951,247	-	540,237	411,010
056502	Bethesda Chevy Chase High School Addition	1,039,929	1,039,929	-	-
056503	Wm. T. Gibbs Elementary School (Clarksburg #8)	15,034,000	14,927,370	100,000	6,630
056504	Fields Road Elementary School Addition	9,257,200	9,257,200	-	-
076500	Ashburton Elementary School Addition	6,618,000	6,595,393	22,607	-
076501	Fallsmead Elementary School	7,118,616	7,118,616	-	-
076502	Luxmanor Elementary School	7,570,000	7,442,660	624	126,716
076503	Stedwick Elementary School Addition	9,825,000	9,657,927	164,476	2,597
076504	Washington Grove Elementary School Addition	12,142,000	12,124,587	1,179	16,234
076505	Wayside Elementary School	4,398,350	4,398,350	-	-
076506	Building Modifications and Program Improvements	3,410,255	743,288	1,082,817	1,584,150
079622	2011 Energy Conservation - ARRA Grant	487,246	-	-	487,246
086500	East Silver Spring ES Addition	11,798,000	11,783,966	5,351	8,683
086502	Poolesville HS Laboratory Upgrades and Addition	8,551,265	8,551,265	-	-
096500	Brookhaven Elementary School	5,819,000	5,232,683	10,984	575,333
096501	Fairland Elementary School	7,729,000	6,504,818	371,295	852,887
096502	Fox Chapel Elementary School	7,205,000	7,102,910	(40,274)	142,364
096503	Harmony Hills Elementary School	5,949,000	5,224,626	14,399	709,975
096504	Jackson Road Elementary School	6,791,000	6,542,027	19,866	229,107
096505	Montgomery Knolls Elementary School	7,164	7,164	93,488	(93,488)
096506	Rock View Elementary School	5,470,000	4,680,468	11,720	777,812
096507	Sherwood ES Addition	160,000	-	-	-
096508	Whetstone Elementary School	7,633,000	6,491,240	45,214	1,096,546
106500	County Water Quality Compliance	3,100	-	-	3,100
116503	Bradley Hills Elementary School Addition 2013	17,344,000	1,873,456	15,256,102	214,442
116504	Clarksburg Cluster ES (Clarksburg Village Site #1)	1,567,000	546,789	350,850	669,361
116507	Darnestown Elementary School Addition 2013	15,025,000	4,542,288	10,270,876	211,836
116508	Georgian Forest Elementary School Addition 2013	10,174,000	2,021,211	7,372,209	780,580
116509	Somerset Elementary School Addition 2011	1,516,000	1,113,677	12,242	390,081
116510	Viers Mill Elementary School Addition 2013	10,608,000	1,974,420	8,329,302	304,278
116511	Waters Landing ES Addition 2014	669,000	101,967	367,280	199,753
116512	Westbrook Elementary School Addition 2013	11,219,000	983,590	10,081,072	154,338
116513	Wyngate Elementary School Addition 2013	9,710,000	2,499,113	5,623,751	1,587,136
126500	WSSC Compliance 2012	655,502	-	(87,801)	743,303
546034	Land Acquisition	2,073,085	-	-	2,073,085
746032	Design and Construction Management	481,728	-	34,662	447,066
766995	Roof Replacement	15,782,224	7,579,808	4,371,151	3,831,265
796222	Energy Conservation	4,973,400	-	607,546	4,365,854
796235	ADA Compliance	2,478,414	456,287	235,957	1,786,170
816633	HVAC Replacement	36,054,980	24,665,944	6,197,663	5,191,373
816695	Asbestos Abatement	509,665	-	11,314	498,351
846540	Relocatable Classrooms	3,322,228	-	2,147,153	1,175,075
876544	Stadium Lighting	350,872	-	-	350,872
886550	School Gymnasiums	37,573,229	32,372,445	3,977,839	1,222,945
896586	Planned Life Cycle Asset Replacement	3,435,727	2,987,815	1,431,987	(984,075)
916587	Rehab/Renovation of Closed Schools	39,103,871	34,290,115	1,372,037	3,441,719
926557	School Security	68,836	-	8,910	59,926
926575	Current Replacements/Modernizations	591,929,852	399,063,877	146,549,177	46,316,798 *
956547	Educational Technology (Global Access)	21,246	-	21,246	-
956550	Stormwater Management	1,088,112	191,386	188,433	708,293
966553	Facility Planning	1,375,605	-	666,305	709,300
975051	Improved (Safe) Access to Schools	2,404,592	981,542	35,364	1,387,686
996552	Current Modernizations-Walter Johnson HS Turf Contribution	335,000	330,088	-	4,912
996562	Carderock Springs ES Educational Foundation	154,648	-	-	154,648
	<b>Total Open &amp; Interim Projects</b>	<b>1,086,107,895</b>	<b>758,006,507</b>	<b>232,184,086</b>	<b>95,917,302</b>
	Capitalized land, equipment and furniture, and items not capitalized	(24,859,624)	(24,859,624)	-	-
	Interim closing of open projects **	(525,434,569)	(525,434,569)	-	-
	<b>Total construction in progress</b>	<b>\$ 535,813,703</b>	<b>207,712,314</b>	<b>232,184,086</b>	<b>95,917,302</b>

\* Appropriations for school modernizations are approved by the Montgomery County Council in the aggregate as one project, although MCPS separately accounts for each modernization. The school modernization project, in the aggregate, does not exceed the legally appropriated project authorization at June 30, 2012

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

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, 2012

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,425,000	\$ 1,425,000	\$ 1,425,000	\$ -
Total revenues	-	1,425,000	1,425,000	1,425,000	-
Expenditures and encumbrances:					
Community services	-	1,425,000	\$ 1,425,000	1,417,439	7,561
Total expenditures and encumbrances	-	1,425,000	1,425,000	1,417,439	7,561
Excess of revenues over expenditures and encumbrances	-		-	7,561	7,561
Fund balance - beginning	-		-	279,707	279,707
Fund balance - ending	\$ -	\$ -	\$ -	287,268	\$ 287,268
Reconciliation to GAAP fund balance:					
2012 encumbrances outstanding				-	
Fund balance - GAAP basis				\$ 287,268	

## **NONMAJOR ENTERPRISE FUNDS**

June 30, 2012

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 ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2012

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ 1,058,026	\$ 41,906	\$ 1,558,949	\$ 2,658,881
Accounts receivable	74,446	94,758	35,365	204,569
Due from other funds	34,837	12,618	54,279	101,734
Inventories			3,270	3,270
Total current assets	<u>1,167,309</u>	<u>149,282</u>	<u>1,651,863</u>	<u>2,968,454</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	2,225			2,225
Total noncurrent assets	<u>2,225</u>	<u>-</u>	<u>-</u>	<u>2,225</u>
Total assets	<u>1,169,534</u>	<u>149,282</u>	<u>1,651,863</u>	<u>2,970,679</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	142,233		14,277	156,510
Unearned revenue			399,923	399,923
Capital leases - current	2,851			2,851
Total current liabilities	<u>145,084</u>	<u>-</u>	<u>414,200</u>	<u>559,284</u>
Noncurrent liabilities:				
Capital leases payable	325,274			325,274
Compensated absences	75,685	80,828	103,890	260,403
Total noncurrent liabilities	<u>400,959</u>	<u>80,828</u>	<u>103,890</u>	<u>585,677</u>
Total liabilities	<u>546,043</u>	<u>80,828</u>	<u>518,090</u>	<u>1,144,961</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,225		-	2,225
Unrestricted	621,266	68,454	1,133,773	1,823,493
Total net assets	<u>\$ 623,491</u>	<u>\$ 68,454</u>	<u>\$ 1,133,773</u>	<u>\$ 1,825,718</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 2,892,122	\$ 1,778,378	\$ 2,186,618	\$ 6,857,118
Total operating revenues	<u>2,892,122</u>	<u>1,778,378</u>	<u>2,186,618</u>	<u>6,857,118</u>
Operating expenses:				
Salaries and wages	404,859	1,122,238	951,286	2,478,383
Contracted services	132,590	41,999	280,373	454,962
Supplies and materials	28,168	448,593	501,990	978,751
Other charges	2,652,947	157,717	250,139	3,060,803
Depreciation	1,483			1,483
Total operating expenses	<u>3,220,047</u>	<u>1,770,547</u>	<u>1,983,788</u>	<u>6,974,382</u>
Operating income (loss)	<u>(327,925)</u>	<u>7,831</u>	<u>202,830</u>	<u>(117,264)</u>
Change in net assets	(327,925)	7,831	202,830	(117,264)
Total net assets - beginning	951,416	60,623	930,943	1,942,982
Total net assets - ending	<u>\$ 623,491</u>	<u>\$ 68,454</u>	<u>\$ 1,133,773</u>	<u>\$ 1,825,718</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,861,498	\$ 1,781,899	\$ 2,182,670	\$ 6,826,067
Payments to suppliers	(167,972)	(490,592)	(805,807)	(1,464,371)
Payments to employees	(432,132)	(1,201,532)	(1,033,444)	(2,667,108)
Payments for assessments made by other funds	(108,170)	(76,382)	(159,990)	(344,542)
Payments for other operating expenses	(2,512,378)		(12,387)	(2,524,765)
Net cash provided (used) by operating activities	<u>(359,154)</u>	<u>13,393</u>	<u>171,042</u>	<u>(174,719)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital leases				
Purchases of capital assets				
Principal paid on capital leases	(2,717)			(2,717)
Net cash (used) by capital and related financing activities	<u>(2,717)</u>	<u>-</u>	<u>-</u>	<u>(2,717)</u>
Increase (Decrease) in cash and cash equivalents	(361,871)	13,393	171,042	(177,436)
Cash and cash equivalents - beginning	1,419,897	28,513	1,387,907	2,836,317
Cash and cash equivalents - ending	<u>\$ 1,058,026</u>	<u>\$ 41,906</u>	<u>\$ 1,558,949</u>	<u>\$ 2,658,881</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (327,925)	\$ 7,831	\$ 202,830	\$ (117,264)
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	(30,624)	3,521	(36,717)	(63,820)
Accounts payable	(7,214)		(23,444)	(30,658)
Due to other funds				
Inventories				
Unearned revenue			32,769	32,769
Compensated absences	5,126	2,041	(4,396)	2,771
Net cash provided (used) by operating activities	<u>\$ (359,154)</u>	<u>\$ 13,393</u>	<u>\$ 171,042</u>	<u>\$ (174,719)</u>



## **FIDUCIARY FUNDS**

June 30, 2012

### **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 ASSETS  
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS  
 JUNE 30, 2012

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
<b>ASSETS</b>			
Investments:			
Global equities	\$ 588,314,386	\$ 30,160,033	\$ 618,474,419
Fixed income securities	274,361,479	7,611,446	281,972,925
Real estate	80,214,755		80,214,755
Alternative investments	69,844,021		69,844,021
Short-term investments	8,010,401		8,010,401
Total investments	1,020,745,042	37,771,479	1,058,516,521
Accounts receivable	985,717	1,800,956	2,786,673
Due from County Consolidated Retiree Health Benefits Trust		20,464,897	20,464,897
Due from Internal Service Fund		17,661,139	17,661,139
Total assets	1,021,730,759	77,698,471	1,099,429,230
<b>LIABILITIES</b>			
Accounts payable		28,743	28,743
Claims payable		5,709,983	5,709,983
Due to general fund	1,058,871	266,405	1,325,276
Total liabilities	1,058,871	6,005,131	7,064,002
<b>NET ASSETS</b>			
Held in trust for pension/other postemployment benefits	\$ 1,020,671,888	\$ 71,693,340	\$ 1,092,365,228

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 69,707,904	69,635,588	\$ 139,343,492
Members	20,438,177	28,218,175	48,656,352
Federal government - Medicare Part D		3,966,394	3,966,394
Total contributions	<u>90,146,081</u>	<u>101,820,157</u>	<u>191,966,238</u>
Investment earnings:			
Net decrease in fair value of investments	(2,837,640)	(2,181,044)	(5,018,684)
Interest and dividends	9,591,514	1,481,198	11,072,712
Securities lending income	150,998		150,998
Total investment income	<u>6,904,872</u>	<u>(699,846)</u>	<u>6,205,026</u>
Less investment expense:			
Investment fees and other	(2,034,570)		(2,034,570)
Securities lending fees	(27,235)		(27,235)
Total investment expense	<u>(2,061,805)</u>	<u>-</u>	<u>(2,061,805)</u>
Net investment earnings	<u>4,843,067</u>	<u>(699,846)</u>	<u>4,143,221</u>
Total additions	<u>94,989,148</u>	<u>101,120,311</u>	<u>196,109,459</u>
<b>DEDUCTIONS</b>			
Benefits paid to plan members	66,890,363	64,517,589	131,407,952
Premiums paid to insurance companies		12,244,985	12,244,985
Administrative expenses	1,557,007	393,601	1,950,608
Total deductions	<u>68,447,370</u>	<u>77,156,175</u>	<u>145,603,545</u>
Change in net assets	26,541,778	23,964,136	50,505,914
Net assets - beginning	<u>994,130,110</u>	<u>47,729,204</u>	<u>1,041,859,314</u>
Net assets - ending	<u>\$ 1,020,671,888</u>	<u>\$ 71,693,340</u>	<u>\$ 1,092,365,228</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>Assets</b>				
Cash and investments	\$ 16,391,255	\$ 33,291,181	\$ 33,235,797	\$ 16,446,639
Accounts receivable	1,654,101	1,732,483	1,654,101	1,732,483
Inventories	<u>172,059</u>	<u>159,169</u>	<u>172,059</u>	<u>159,169</u>
Total assets	<u>\$ 18,217,415</u>	<u>\$ 35,182,833</u>	<u>\$ 35,061,957</u>	<u>\$ 18,338,291</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,323,532	\$ 1,572,989	\$ 1,323,532	\$ 1,572,989
Due to student groups	<u>16,893,883</u>	<u>33,609,844</u>	<u>33,738,425</u>	<u>16,765,302</u>
Total liabilities	<u>\$ 18,217,415</u>	<u>\$ 35,182,833</u>	<u>\$ 35,061,957</u>	<u>\$ 18,338,291</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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	79-87
<b>Revenue Capacity</b> Since MCPS revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax.	88-94
<b>Debt Capacity</b> Since MCPS construction funding is primarily provided by Montgomery County, these schedules of the county's debt capacity assist the reader in assessing the affordability of Montgomery County's current levels of outstanding debt and Montgomery County's ability to issue additional debt in the future.	95-99
<b>Demographic and Economic Information</b> Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which MCPS' financial activities take place.	100-101
<b>Operating Information</b> These schedules contain select operating indicators to help the reader understand how the information in MCPS' financial report relates to the services MCPS provides and the activities it performs.	103-106

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 1,224,194,974	\$ 1,265,348,107	\$ 1,347,324,600	\$ 1,509,775,923	\$ 1,635,087,567
Unrestricted	(80,455,530)	(90,516,500)	(92,864,100)	(96,127,805)	(85,448,126)
<b>Total governmental activities net assets</b>	<b><u>\$ 1,143,739,444</u></b>	<b><u>\$ 1,174,831,607</u></b>	<b><u>\$ 1,254,460,500</u></b>	<b><u>\$ 1,413,648,118</u></b>	<b><u>\$ 1,549,639,441</u></b>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ 5,137,266	\$ 4,829,951	\$ 5,182,162	\$ 5,052,458	\$ 5,215,924
Unrestricted	(1,626,627)	(2,850,401)	(2,755,479)	(3,354,942)	(3,628,772)
<b>Total business-type activities net assets</b>	<b><u>\$ 3,510,639</u></b>	<b><u>\$ 1,979,550</u></b>	<b><u>\$ 2,426,683</u></b>	<b><u>\$ 1,697,516</u></b>	<b><u>\$ 1,587,152</u></b>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 1,229,332,240	\$ 1,270,178,058	\$ 1,352,506,762	\$ 1,514,828,381	\$ 1,640,303,491
Unrestricted	(82,082,157)	(93,366,901)	(95,619,579)	(99,482,747)	(89,076,898)
<b>Total primary government net assets</b>	<b><u>\$ 1,147,250,083</u></b>	<b><u>\$ 1,176,811,157</u></b>	<b><u>\$ 1,256,887,183</u></b>	<b><u>\$ 1,415,345,634</u></b>	<b><u>\$ 1,551,226,593</u></b>
<hr/>					
	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 1,765,406,793	\$ 1,901,060,879	\$ 1,972,419,863	\$ 2,073,974,398	\$ 2,234,805,426
Unrestricted	(151,573,901)	(202,703,251)	(303,827,808)	(367,057,361)	(446,600,594)
<b>Total governmental activities net assets</b>	<b><u>\$ 1,613,832,892</u></b>	<b><u>\$ 1,698,357,628</u></b>	<b><u>\$ 1,668,592,055</u></b>	<b><u>\$ 1,706,917,037</u></b>	<b><u>\$ 1,788,204,832</u></b>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ 5,019,355	\$ 4,231,936	\$ 3,951,552	\$ 3,759,753	\$ 3,570,524
Unrestricted	(5,207,535)	(6,415,787)	(7,848,406)	(7,483,923)	(6,792,149)
<b>Total business-type activities net assets</b>	<b><u>\$ (188,180)</u></b>	<b><u>\$ (2,183,851)</u></b>	<b><u>\$ (3,896,854)</u></b>	<b><u>\$ (3,724,170)</u></b>	<b><u>\$ (3,221,625)</u></b>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 1,770,426,148	\$ 1,905,292,815	\$ 1,976,371,415	\$ 2,077,734,151	\$ 2,238,375,950
Unrestricted	(156,781,436)	(209,119,038)	(311,676,214)	(374,541,284)	(453,392,743)
<b>Total primary government net assets</b>	<b><u>\$ 1,613,644,712</u></b>	<b><u>\$ 1,696,173,777</u></b>	<b><u>\$ 1,664,695,201</u></b>	<b><u>\$ 1,703,192,867</u></b>	<b><u>\$ 1,784,983,207</u></b>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities				
Instruction:				
Regular instruction	\$ 922,271,680	\$ 983,832,228	\$ 1,038,043,643	\$ 1,088,588,014
Special education	213,237,600	226,446,611	247,338,455	266,912,970
School administration	123,298,343	126,636,268	135,691,110	146,798,786
Student personnel services	8,160,848	11,411,475	12,226,245	13,416,179
Health services	107,432	36,994	39,433	42,357
Total instruction	<u>1,267,075,903</u>	<u>1,348,363,576</u>	<u>1,433,338,886</u>	<u>1,515,758,306</u>
Support services:				
Student transportation	72,604,228	80,078,067	91,056,536	96,768,183
Operation of plant	99,932,932	102,880,452	109,613,171	120,228,320
Maintenance of plant	40,384,443	48,730,155	47,584,397	48,872,594
Administration	47,359,900	37,010,469	39,156,106	54,688,573
Community services	1,584,350	1,641,493	1,625,698	2,110,374
Interest on capital leases				1,372,132
Total support services	<u>261,865,853</u>	<u>270,340,636</u>	<u>289,035,908</u>	<u>324,040,176</u>
Total government activities expenses	<u>1,528,941,756</u>	<u>1,618,704,212</u>	<u>1,722,374,794</u>	<u>1,839,798,482</u>
Business-type activities				
Food services	35,681,700	37,426,902	39,511,622	40,757,291
Adult education	4,007,829	4,110,281	1,893,599	1,516,881
Real estate management	1,586,720	1,482,541	1,537,420	2,102,497
Field trips	1,205,565	1,246,915	1,355,538	1,579,472
Entrepreneurial activities	1,062,282	1,211,760	1,316,459	1,266,811
Total business-type activities expenses	<u>43,544,096</u>	<u>45,478,399</u>	<u>45,614,638</u>	<u>47,222,952</u>
Total primary government expenses	<u>\$ 1,572,485,852</u>	<u>\$ 1,664,182,611</u>	<u>\$ 1,767,989,432</u>	<u>\$ 1,887,021,434</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services	\$ 2,636,982	\$ 2,661,370	\$ 5,028,734	5,164,549
Operating grants and contributions	108,829,702	71,649,502	79,073,587	81,343,855
Capital grants and contributions	31,154,353	50,595,212	41,579,402	41,802,954
Total governmental activities program revenues	<u>142,621,037</u>	<u>124,906,084</u>	<u>125,681,723</u>	<u>128,311,358</u>
Business-type activities				
Charges for services:				
Food services	19,244,297	20,089,923	21,240,579	21,314,053
Adult education	3,755,591	3,770,253	2,047,577	1,614,777
Real estate management	1,451,483	1,724,390	2,019,558	2,212,736
Field trips	1,226,062	1,318,661	1,547,519	1,491,097
Entrepreneurial activities	934,043	786,070	1,023,446	1,461,574
Operating grants and contributions	14,862,621	15,726,742	16,892,422	17,268,485
Capital grants and contributions	349,867	450,005	938,776	415,248
Total business-type activities program revenues	<u>41,823,964</u>	<u>43,866,044</u>	<u>45,709,877</u>	<u>45,777,970</u>
Total primary government program revenues	<u>\$ 184,445,001</u>	<u>\$ 168,772,128</u>	<u>\$ 171,391,600</u>	<u>\$ 174,089,328</u>
Net (expense)/revenue				
Governmental activities	(1,386,320,719)	(1,493,798,128)	(1,596,693,071)	(1,711,487,124)
Business-type activities	<u>(1,720,132)</u>	<u>(1,612,355)</u>	<u>95,239</u>	<u>(1,444,982)</u>
	<u>(1,388,040,851)</u>	<u>(1,495,410,483)</u>	<u>(1,596,597,832)</u>	<u>(1,712,932,106)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,108,394,374	\$ 1,183,680,350	\$ 1,314,971,597	1,457,150,730
State of Maryland	288,603,570	340,846,285	361,020,873	411,828,686
Federal government	296,773	262,516	88,274	1,027,578
Investment Earnings	146,555	76,537	155,210	632,532
Other revenue	562,402	8,019	70,671	-
Transfers	13,852	16,584	15,339	35,216
Total government activities	<u>1,398,017,526</u>	<u>1,524,890,291</u>	<u>1,676,321,964</u>	<u>1,870,674,742</u>
Business-type activities				
Investment Earnings	196,736	97,850	367,233	751,031
Transfers	<u>(13,852)</u>	<u>(16,584)</u>	<u>(15,339)</u>	<u>(35,216)</u>
Total business-type activities	<u>182,884</u>	<u>81,266</u>	<u>351,894</u>	<u>715,815</u>
Total primary government	<u>\$ 1,398,200,410</u>	<u>\$ 1,524,971,557</u>	<u>\$ 1,676,673,858</u>	<u>\$ 1,871,390,557</u>
<b>Change in Net Assets</b>				
Governmental activities	11,696,807	31,092,163	79,628,893	159,187,618
Business-type activities	<u>(1,537,248)</u>	<u>(1,531,089)</u>	<u>447,133</u>	<u>(729,167)</u>
Total primary government	<u>\$ 10,159,559</u>	<u>\$ 29,561,074</u>	<u>\$ 80,076,026</u>	<u>\$ 158,458,451</u>



	2007	2008	2009	2010	2011	2012
\$	1,160,855,790	\$ 1,300,214,158	\$ 1,344,807,372	\$ 1,382,022,729	\$ 1,395,636,699	\$ 1,401,069,607
	293,576,065	337,981,003	357,740,728	382,151,880	381,185,135	392,862,396
	160,163,136	183,915,725	192,005,481	195,915,953	198,448,243	202,692,468
	13,944,662	15,923,429	16,709,007	16,590,455	15,726,065	16,251,838
	53,540	39,372	31,477	40,091	17,919	17,911
	<u>1,628,593,193</u>	<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>
	100,930,995	117,962,721	122,633,059	125,139,197	126,428,398	129,115,379
	130,303,214	144,731,021	145,189,882	153,349,143	149,740,270	147,289,980
	55,832,785	56,469,713	57,587,517	59,180,621	60,799,687	64,129,559
	63,053,976	59,171,446	63,094,864	60,891,077	58,701,766	57,291,531
	2,176,910	2,470,942	2,168,062	2,291,223	2,129,034	2,090,179
	1,742,075	1,970,020	2,040,350	1,750,321	1,197,169	897,345
	<u>354,039,955</u>	<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>1,982,633,148</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>
	42,161,738	46,125,487	46,457,265	45,687,584	48,218,118	49,720,564
	(48,642)	-	-	-	-	-
	2,926,351	2,290,554	2,489,426	2,591,862	3,055,284	3,220,047
	1,629,297	1,792,660	1,772,511	1,697,423	1,751,109	1,770,547
	1,376,930	1,619,087	1,444,433	2,001,442	2,031,272	1,983,788
	<u>48,045,674</u>	<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>2,030,678,822</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>
	5,249,818	5,332,403	5,033,518	4,616,997	4,111,198	3,820,871
	83,451,485	84,349,531	77,829,710	126,099,052	112,581,279	83,474,771
	52,273,814	48,116,266	48,858,868	44,257,276	54,258,286	59,387,969
	<u>140,975,117</u>	<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>
	22,008,945	22,219,798	22,191,730	18,621,337	18,577,749	19,252,693
	2,625,031	2,765,022	2,397,720	2,667,604	2,812,240	2,892,122
	1,543,101	1,722,208	1,578,741	1,543,871	1,671,121	1,778,378
	1,436,778	1,866,786	1,872,573	1,849,158	3,633,389	2,186,618
	18,798,444	19,955,950	21,564,749	24,871,047	27,800,835	30,590,480
	655,145	927,082	405,452	641,790	696,950	464,308
	<u>47,067,444</u>	<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>188,042,561</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>
	(1,841,658,031)	(2,083,051,350)	(2,172,285,703)	(2,204,349,365)	(2,219,059,622)	(2,267,024,582)
	(978,230)	(2,370,942)	(2,152,670)	(1,783,504)	136,501	469,653
	<u>(1,842,636,261)</u>	<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>
	1,507,402,033	\$ 1,631,686,296	\$ 1,656,384,034	\$ 1,550,665,251	\$ 1,553,166,556	\$ 1,581,675,500
	468,650,022	510,142,429	597,009,068	616,478,426	668,581,752	761,695,928
	539,841	4,015,914	2,728,591	6,454,228	35,268,390	4,414,871
	929,696	1,378,734	684,245	985,888	367,906	526,078
	-	-	-	-	-	-
	127,762	21,428	4,501	-	-	-
	<u>1,977,649,354</u>	<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>
	995,628	617,038	161,500	70,501	36,183	32,892
	(127,762)	(21,428)	(4,501)	-	-	-
	867,866	595,610	156,999	70,501	36,183	32,892
\$	<u>1,978,517,220</u>	<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>
	135,991,323	64,193,451	84,524,736	(29,765,572)	38,324,982	81,287,795
	(110,364)	(1,775,332)	(1,995,671)	(1,713,003)	172,684	502,545
\$	<u>135,880,959</u>	<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>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General Fund:</b>					
Nonspendable	\$ 6,865,056	\$ 7,511,493	\$ 7,252,120	\$ 7,758,899	\$ 6,663,737
Assigned	3,221,172	3,868,022	5,945,116	14,230,646	10,577,103
Unassigned	<u>(5,625,651)</u>	<u>(171,197)</u>	<u>3,263,757</u>	<u>(3,047,043)</u>	<u>4,879,365</u>
Total general fund	<u>\$ 4,460,577</u>	<u>\$ 11,208,318</u>	<u>\$ 16,460,993</u>	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>
<b>All other governmental funds:</b>					
Restricted - Special revenue fund	\$ 88,069	\$ 92,848	\$ 92,086	\$ 94,711	\$ 888,399
Committed - Capital projects fund	<u>(8,133,947)</u>	<u>(10,802,854)</u>	<u>(12,604,232)</u>	<u>(13,472,262)</u>	<u>(14,392,596)</u>
Total all other governmental funds	<u>\$ (8,045,878)</u>	<u>\$ (10,710,006)</u>	<u>\$ (12,512,146)</u>	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>
	2008	2009	2010	2011	2012
<b>General Fund:</b>					
Nonspendable	\$ 6,870,750	\$ 6,289,918	\$ 7,221,461	\$ 6,567,714	\$ 7,310,053
Assigned	5,701,090	6,183,758	6,104,012	6,370,994	7,069,165
Unassigned	<u>16,389,504</u>	<u>44,346,530</u>	<u>206,026</u>	<u>16,999,947</u>	<u>28,660,135</u>
Total general fund	<u>\$ 28,961,344</u>	<u>\$ 56,820,206</u>	<u>\$ 13,531,499</u>	<u>\$ 29,938,655</u>	<u>\$ 43,039,353</u>
<b>All other governmental funds:</b>					
Restricted - Special revenue fund	\$ 136,374	\$ 245,077	\$ 265,873	\$ 279,707	\$ 287,268
Committed - Capital projects fund	<u>(13,796,508)</u>	<u>(13,858,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ (13,660,134)</u>	<u>\$ (13,613,294)</u>	<u>\$ 265,873</u>	<u>\$ 279,707</u>	<u>\$ 287,268</u>

Information for fiscal years 2003 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			
	2003	2004	2005	2006
<b>Revenues</b>				
Intergovernmental:				
Montgomery County	\$ 1,137,558,192	\$ 1,233,511,048	\$ 1,356,035,517	\$ 1,498,345,349
State of Maryland	339,814,082	350,931,179	366,552,766	417,013,817
Federal Government	56,379,262	59,737,638	70,605,126	74,573,378
Other	4,827,458	4,970,961	8,194,694	8,999,000
Total Revenue	<u>1,538,578,994</u>	<u>1,649,150,826</u>	<u>1,801,388,103</u>	<u>1,998,931,544</u>
<b>Expenditures</b>				
Current:				
Administration	27,666,368	26,965,317	28,439,926	36,625,851
Mid-level administration	93,633,242	96,088,892	101,729,773	109,442,018
Instructional salaries and wages	635,877,265	654,152,515	686,486,182	719,934,184
Instructional textbooks and supplies	25,599,461	25,646,985	28,751,450	33,245,147
Other instructional costs	13,014,528	13,133,928	22,110,271	16,855,159
Special education	170,576,458	178,834,273	193,353,038	207,149,010
Student personnel services	6,227,216	8,623,619	9,111,032	9,936,670
Health services	104,058	32,474	34,127	36,530
Student transportation	56,900,115	59,958,528	71,323,679	79,509,617
Operation of plant	77,846,881	80,456,510	85,739,412	92,411,740
Maintenance of plant	25,833,275	25,714,753	26,776,709	28,718,901
Fixed charges	305,913,265	346,990,115	388,327,283	419,075,926
Community services	1,324,417	1,360,072	1,326,568	1,731,259
Debt service:				
Capital lease principal	11,841,404	15,124,117	19,300,633	22,597,421
Capital lease interest	1,027,855	1,324,991	1,262,669	1,372,132
Capital outlay	113,557,576	128,053,894	159,336,986	244,402,835
Total expenditures	<u>1,566,943,384</u>	<u>1,662,460,983</u>	<u>1,823,409,738</u>	<u>2,023,044,400</u>
Excess (deficiency) of Revenues over expenditures	(28,364,390)	(13,310,157)	(22,021,635)	(24,112,856)
<b>Other financing sources</b>				
Capital lease financing	13,447,873	16,783,521	25,456,831	25,693,744
Technology loans from Montgomery County	12,836			
Transfers in	13,852	16,584	15,339	35,216
Transfers out	629,884	593,755		
Total other financing sources	<u>14,104,445</u>	<u>17,393,860</u>	<u>25,472,170</u>	<u>25,728,960</u>
Net change in fund balances	<u>\$ (14,259,945)</u>	<u>\$ 4,083,703</u>	<u>\$ 3,450,535</u>	<u>\$ 1,616,104</u>
Debt service as a percentage of noncapital expenditures	0.8%	1.1%	1.3%	1.4%

2007	2008	2009	2010	2011	2012
\$ 1,558,647,046	\$ 1,633,111,352	\$ 1,704,483,481	\$ 1,593,469,961	\$ 1,598,298,058	\$ 1,634,325,263
474,951,016	561,788,026	602,257,843	619,385,100	672,165,098	765,912,232
75,177,789	81,098,923	73,709,427	127,230,073	146,479,166	88,309,979
9,547,103	9,026,435	8,081,214	8,107,202	6,936,945	6,448,515
<u>2,118,322,954</u>	<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>
43,163,115	40,223,462	41,116,832	39,543,392	36,954,635	35,931,627
118,650,653	128,825,484	133,558,653	133,865,561	135,139,216	132,955,672
760,940,050	801,621,226	835,121,087	851,338,027	824,315,364	806,181,103
36,680,260	30,676,046	27,836,308	26,674,306	21,939,573	24,407,914
18,687,106	17,748,901	13,416,424	11,456,405	11,571,972	13,588,680
227,023,151	245,993,338	259,846,857	273,368,914	271,395,047	270,775,788
10,264,691	11,051,597	11,544,552	11,289,494	10,680,737	10,649,399
44,821	32,162	31,125	38,695	16,267	16,908
81,298,925	92,544,044	87,139,938	87,252,913	94,135,828	95,559,434
102,598,137	112,699,200	113,847,318	115,639,206	113,952,839	111,067,453
30,815,334	31,498,027	34,797,983	34,612,073	33,013,662	31,575,617
463,825,658	531,185,474	557,052,644	596,364,990	636,600,510	666,817,831
1,750,520	1,902,912	1,662,113	1,756,954	1,608,047	1,519,629
23,997,477	23,510,181	24,465,455	20,178,442	19,024,733	18,844,888
1,742,075	1,970,020	2,040,350	1,750,321	1,197,169	897,345
218,839,987	234,409,417	239,036,321	178,597,204	213,558,453	286,212,343
<u>2,140,321,960</u>	<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>
(21,999,006)	(20,866,755)	6,018,005	(35,534,561)	(1,224,785)	(12,005,642)
24,922,301	27,530,529	21,883,195	6,125,021	17,645,775	25,113,901
127,762	21,428	4,501	-	-	-
<u>25,050,063</u>	<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>\$ 3,051,057</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>
1.4%	1.2%	1.3%	1.0%	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, 2011 \*

---

Operating revenues:	
Contributions by other agencies	\$ 38,050,581
Contributions by the Board of Education	<u>13,605,620</u>
Total operating revenues	<u>51,656,201</u>
Operating expenses:	
Self-insurance losses, net of recoveries	38,976,967
Other costs at risk	5,312,812
Commercial insurance	3,656,568
Other operating expenses	<u>3,657,544</u>
Total operating expenses	<u>51,603,891</u>
Operating (loss)	<u>52,310</u>
Nonoperating revenues :	
Interest on investments	28,748
Other revenue	<u>475,041</u>
Total nonoperating revenues	<u>503,789</u>
Change in net assets	556,099
Total net assets - beginning of year	<u>(6,990,990)</u>
Total net assets (deficit) - end of year	<u>\$ (6,434,891)</u>

\* Date of the most current available information.

Source: Montgomery County FY 2011 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)
2003	\$ 33,563,409	\$ 286,156	\$ 33,849,565	0.07%	\$ 37
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

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 100.

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
2003	\$ 867,011,819	\$ (1,906,183)	\$ 865,105,636	\$ 861,862,819	99.41 %	\$ (3,853,455)	\$ 858,009,364	99.18 %
2004	927,789,542	(1,534,729)	926,254,813	924,992,688	99.70	1,100,541	926,093,229	99.98
2005	1,006,556,130	(517,314)	1,006,038,816	1,005,935,155	99.94	(2,901,240)	1,003,033,915	99.70
2006	1,032,231,333	(2,140,637)	1,030,090,696	1,031,967,800	99.97	(3,778,715)	1,028,189,085	99.82
2007	1,087,613,905	(1,726,530)	1,085,887,375	1,081,566,118	99.44	(909,535)	1,080,656,583	99.52
2008	1,137,590,824	(3,498,076)	1,134,092,748	1,132,548,519	99.56	(2,995,645)	1,129,552,874	99.60
2009	1,282,437,423	1,650,538	1,284,087,961	1,278,337,019	99.68	1,247,808	1,279,584,827	99.65
2010	1,344,626,102	(5,028,735)	1,339,597,367	1,343,140,289	99.89	(15,293,546)	1,327,846,743	99.12
2011	1,350,416,973	(1,313,658)	1,349,103,315	1,349,698,631	99.95	(833,620)	1,348,865,011	99.98
2012	1,365,605,932	-	1,365,605,932	1,363,217,734	99.83	-	1,363,217,734	99.83

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	
2003	\$ 61,732,348,676	\$ 69,991,325,030	\$ 20,674,989,155	\$ 23,441,030,788	\$ 82,407,337,831	\$ 93,432,355,818	1.004
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

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					
2003	\$ 85,622,460	\$ 2,421,490,420	\$ 1,187,075,200	\$ 533,666,320	\$ 4,227,854,400	\$ 2.494	\$ 86,635,192,231	\$ 97,660,210,218	88.71
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

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)					Total County Direct Rate (4)	
	County		M-NCPPC (2)			County		M-NCPPC (2)				Prorata Tax Rate
	County	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
<b>Real Property:</b>												
2003 (3)	\$ .754	\$ .117	\$ .038	\$ .001	\$ .910	\$ .020	\$ .003	\$ .023	\$ .063	\$ .094	\$ 1.004	
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	
<b>Personal Property:</b>												
2003	\$ 1.885	\$ .293	\$ .095	\$ .003	\$ 2.276	\$ .050	\$ .008	\$ .058	\$ .158	\$ .218	\$ 2.494	
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	

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) Fiscal year 2002 was the first year that all real property in the State of Maryland was assessed at 100 percent of full assessed value; prior to 2002, real property was assessed at 40 percent of full assessed value. Real property tax rates were changed in fiscal year 2002 and subsequent years to reflect this change in methodology.
- (4) 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 2012 CAFR

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

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts		Development Districts		
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
<b>Real Property:</b>												
2003	\$ .28	\$ .28	\$ .24	\$ .24	\$ .030	\$ .016	\$ .02	\$ .16	\$ .18	\$ .108	\$ .224	\$ -
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
<b>Personal Property:</b>												
2003	\$ .70	\$ .70	\$ .60	\$ .60	\$ .075	\$ .04	\$ .05	\$ .40	\$ .45	\$ -	\$ -	\$ -
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	-	-	-

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 2012 CAFR

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

Fiscal Year	Cities			Towns				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
<b>Real Property:</b>								
2003	.212	.322	.660	.08	.20	.037	.20	.14
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
<b>Personal Property:</b>								
2003	.53	.805	1.605	.20	.45	.10	.50	.80
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

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
<b>Real Property:</b>					
2003	.193	.132	.24	.05	.235
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
<b>Personal Property:</b>					
2003	.50	.33	.60	.22	.60
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

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 FY12 CAFR

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

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
<b>Real Property:</b>										
2003	\$ .05	\$ .02	\$ -	\$ .03	\$ .12	\$ .048	\$ .07	\$ .008	\$ .052	\$ .10
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
<b>Personal Property:</b>										
2003	\$ .125	\$ .05	\$ .00	\$ .00	\$ .50	\$ .12	\$ .07	\$ .008	\$ .13	\$ .10
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

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 2012 CAFR

MONTGOMERY COUNTY, MARYLAND  
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**For the Fiscal Year Ended June 30, 2012**

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 751,658,563	\$ 24,481,033	\$ 727,177,530	0.45%
Verizon Maryland Inc	572,981,617	38,155,367	534,826,250	0.35%
Montgomery Mall LLC	293,001,260	292,319,100	682,160	0.18%
Washington Gas Light Co.	263,742,870	-	263,742,870	0.16%
Medimmune Inc	223,005,690	202,991,600	20,014,090	0.13%
Chevy Chase Land Co	207,018,567	207,018,567	-	0.12%
Camalier, Anne D et al, Trustee	205,657,500	205,657,500	-	0.12%
7501 Wisconsin Avenue LLC	200,032,490	200,000,000	32,490	0.12%
Federal Realty Investment Trust	196,688,020	194,431,300	2,256,720	0.12%
Wheaton Plaza Reg Shopping Center	175,771,910	175,141,900	630,010	0.11%
<b>Total</b>	<b>\$ 3,089,558,487</b>	<b>\$ 1,540,196,367</b>	<b>\$ 1,549,362,120</b>	<b>1.86%</b>
<b>Total Assessable Base</b>	<b>\$ 165,916,095,469</b>			<b>100.00%</b>

**For the Fiscal Year Ended June 30, 2003**

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 831,750,280	\$ 6,282,220	\$ 825,468,060	0.96%
Verizon/Bell Atlantic	704,318,184	27,221,510	677,096,674	0.81%
Montgomery Mall	221,842,146	221,541,566	300,580	0.26%
Mirant Mid-Atlantic LLC	210,666,756	69,671,466	140,995,290	0.24%
Washington Gas Light Co.	186,819,170	-	186,819,170	0.22%
7501 Wisconsin Ave LLC	155,000,000	155,000,000	-	0.18%
Bryant F. Foulger, Trustee	150,827,832	150,827,832	-	0.17%
Camalier, Anne D et al, Trustee	139,303,652	139,303,652	-	0.16%
Democracy Associates	132,000,000	132,000,000	-	0.15%
Marbeth Partnership	129,350,000	129,350,000	-	0.15%
<b>Total</b>	<b>\$ 2,861,878,020</b>	<b>\$ 1,031,198,246</b>	<b>\$ 1,830,679,774</b>	<b>3.30%</b>
<b>Total Assessable Base</b>	<b>\$ 86,635,192,231</b>			<b>100.00%</b>

Source: State of Maryland Department of Assessments and Taxation

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

Fiscal Year	General Bonded Debt Outstanding (1)			Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Taxable BABs General Obligations (2)			
2003	\$ 1,288,293,054	\$ -	\$ -	\$ 1,288,293,054	1.32	1,408
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

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.

Source: Montgomery County FY2012 CAFR

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

	2003	2004	2005	2006
<b>Assessed Value</b>				
Real property (1)	\$ 82,407,337,831	\$ 89,263,005,267	\$ 98,281,724,723	\$ 110,529,249,116
Personal property	4,227,854,400	3,963,801,610	3,902,612,110	3,831,629,230
Total Assessed Value	<u>\$ 86,635,192,231</u>	<u>\$ 93,226,806,877</u>	<u>\$ 102,184,336,833</u>	<u>\$ 114,360,878,346</u>
<b>Legal Debt Margin</b>				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior)	\$ 4,944,440,270	\$ 5,355,780,316	\$ 5,896,903,483	\$ 6,631,754,947
For personal property at 15%	<u>634,178,160</u>	<u>594,570,242</u>	<u>585,391,817</u>	<u>574,744,385</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>5,578,618,430</u>	<u>5,950,350,558</u>	<u>6,482,295,300</u>	<u>7,206,499,332</u>
Debt Applicable to Limit:				
General obligation bonds	1,288,293,054	1,329,778,054	1,415,208,054	1,393,888,054
Variable Rate Demand Obligation	-	-	-	100,000,000
Taxable BABs General Obligation	-	-	-	-
Bond anticipation notes	125,000,000	150,000,000	-	100,000,000
Long-term notes payable	<u>1,341,206</u>	<u>1,270,924</u>	<u>1,198,385</u>	<u>-</u>
Total Debt Applicable to Limit	<u>1,414,634,260</u>	<u>1,481,048,978</u>	<u>1,416,406,439</u>	<u>1,593,888,054</u>
Legal Debt Margin	<u>\$ 4,163,984,170</u>	<u>\$ 4,469,301,580</u>	<u>\$ 5,065,888,861</u>	<u>\$ 5,612,611,278</u>
Legal Debt Margin as a Percentage of Debt Limit	75%	75%	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 2012 CAFR



	2007	2008	2009	2010	2011	2012
\$	125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758
	3,948,949,550	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710
\$	<u>129,659,725,668</u>	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,492</u>	<u>171,220,840,149</u>	<u>171,646,984,481</u>	<u>165,916,095,468</u>
\$	7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985
	592,342,433	595,582,106	588,025,653	618,599,492	578,428,793	557,841,857
	<u>8,134,989,000</u>	<u>9,133,968,242</u>	<u>10,076,035,141</u>	<u>10,644,410,104</u>	<u>10,645,876,345</u>	<u>10,289,670,842</u>
	1,512,675,607	1,366,758,054	1,496,561,371	1,437,839,285	1,517,280,000	1,658,970,000
	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
	150,000,000	300,000,000	300,000,000	425,000,000	500,000,000	500,000,000
	-	-	-	-	-	-
	<u>1,762,675,607</u>	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>	<u>2,597,290,000</u>
\$	<u>6,372,313,393</u>	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>	<u>8,449,570,819</u>	<u>8,190,276,345</u>	<u>7,692,380,842</u>
	78%	81%	81%	79%	77%	75%

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
AS OF JUNE 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 482,200	100.00 %	\$ 482,200
Poolesville - bonds	1,493,904	100.00	1,493,904
Rockville - bonds	47,084,744	100.00	47,084,744
Somerset - bonds	1,740,000	100.00	1,740,000
Takoma Park:			
Bonds	4,292,893	100.00	4,292,893
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	37,674,880	100.00	37,674,880
MCC - capital leases	60,106,203	100.00	60,106,203
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	90,952,662	38.03	34,590,000
Advance land acquisition bonds	1,905,000	100.00	1,905,000
Notes payable	112,909	00.00	-
Development Districts (2):			
Kingsview Village Center - bonds	1,805,000	100.00	1,805,000
West Germantown - bonds	14,235,000	100.00	14,235,000
Total Overlapping Debt			205,559,824
Montgomery County direct debt			2,857,196,443
Total Direct and Overlapping Debt			<u>\$ 3,062,756,267</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.

Source: Montgomery County FY2012 CAFR

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)  
YEAR ENDED JUNE 30, 2012\*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2012
General bonded indebtedness:					
Consolidated Public Improvement Refunding	3.6 - 5.25	11/15/2002	2003-19	61,667,788	
Consolidated Public Improvement	3.0 - 5.0	2/1/2001	2003-22	76,000,000	
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	14,159,215
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	4,325,000
Consolidated Public Improvement Refunding	2.0 - 5.0	5/1/2003	2004-11	25,633,689	
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	9,420,000
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	43,731,734
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	16,637,500
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	20,000,000
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	74,800,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	12,253,290
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	107,950,000
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	74,722,956
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	17,400,000
Consolidated Public Improvement	2.00 - 5.0	7/26/2010	2011-22	80,500,000	73,791,667
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	118,500,000
Consolidated Public Improvement Refunding	2.00 - 5.0	8/11/2011	2012-22	106,469,440	106,469,440
Total				\$ 1,545,260,142	\$ 966,017,622

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, 2012

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)
2003	910,498	48,650,108	53,432	496,223	479,675	3.3	138,891
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

NOTES:

- (1) Sources: Data for 2003-2009 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2010 from Montgomery Planning Department (MNCPPC) and for 2011 and 2012 are estimated by the Montgomery County Department of Finance from Round 8.0 Cooperative Estimates and pertain to population in households. Estimates for 2003-2009 published by BEA in April 2012 and reflect the County's population estimates available as of April 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 2003-2008 were revised by BEA and data for 2009 is a preliminary estimate from BEA. Data for 2010 through 2012 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 2007 - 2011. Data for 2012 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2011 to the first half of CY2012.
- (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 2007-2011 revised by BLS. Data for 2012 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2011 to the first half of CY2012.
- (6) The unemployment rates for 2007 through 2011 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2012 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2012.
- (7) Source: County Executive's Recommended FY13 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 2012			Fiscal Year 2003		
	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	26,460	1	5.63 %	29,700	1	6.39 %
Montgomery County Public Schools	24,000	2	5.11	22,556	2	4.85
U.S. Department of Defense	12,020	3	2.56	12,690	3	2.73
Montgomery County Government	10,000	4	2.13	11,309	4	2.43
U.S. Department of Commerce	7,369	5	1.57	8,250	5	1.77
Adventist Healthcare	5,900	6	1.26	6,600	6	1.42
Marriott International, Inc. (Headquarters)	5,497	7	1.17	5,025	7	1.08
Lockheed Martin	5,200	8	1.11	4,741	8	1.02
Verizon	3,571	9	0.76	*		
Montgomery College	3,500	10	0.75	3,061	10	0.66
Giant Food Corporation	*			4,377	9	0.94
<b>Total</b>	<b>103,517</b>		<b>22.05 %</b>	<b>108,309</b>		<b>23.30 %</b>

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 2011 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 FY12 was 469,700, and in FY03, 464,900.

Source: Montgomery County Department of Economic Development

INTENTIONALLY BLANK

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
<b>Governmental Activities:</b>										
Instruction:										
Total enrollment <sup>(1)</sup>	139,203	139,337	139,387	137,798	137,745	139,276	141,777	144,064	146,497	
Regular students <sup>(4)</sup>	130,852	130,601	130,444	128,511	128,478	130,371	140,065	142,342	144,571	
ESOL students <sup>(4)</sup>	12,200	12,905	13,200	14,718	15,961	16,685	17,664	17,900	18,650	
Special education classroom students <sup>(4)</sup>	8,114	8,520	8,645	8,888	8,853	8,534	9,107	9,067	9,533	
Cost per pupil (accrual basis) <sup>(5)</sup>	\$ 11,628	\$ 12,361	\$ 13,199	\$ 14,388	\$ 16,081	\$ 16,543	\$ 16,782	\$ 16,590	\$ 16,476	
Number of teaching stations <sup>(3)</sup>	6,430	6,598	6,817	7,098	7,379	7,660	7,085	7,101	7,492	
Average teacher salary <sup>(6)</sup>	\$ 61,962	\$ 62,608	\$ 65,173	\$ 67,439	\$ 71,039	\$ 75,517	\$ 76,499	\$ 73,638	\$ 72,356	
Student/Teacher ratio - Regular Instruction <sup>(4)</sup>	14:1	14:1	14:1	13:1	13:1	14:1	13.5:1	14:1	14:1	
Average SAT score <sup>(1)</sup>	1,094	1,102	1,101	1,634	1,624	1,616	1,615	1,653	1,637	
Seniors taking SAT <sup>(1)</sup>	81 %	80 %	77 %	76 %	79 %	74 %	81 %	73 %	77 %	
Building capacity used <sup>(3) #</sup>	100 %	107 %	104 %	100 %	100 %	100 %	98.3 %	100 %	100 %	
Support services:										
Student transportation:										
Number of buses <sup>(1)</sup>	1,202	1,230	1,252	1,264	1,272	1,271	1,270	1,268	1,264	
Students transported <sup>(1)</sup>	96,000	93,845	95,962	95,711	96,000	96,700	97,100	98,535	100,158	
Operation of plant:										
School buildings <sup>(1)</sup>	191	192	194	199	200	199	200	200	200	
Square footage <sup>(3)</sup>	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	
Number of rooms <sup>(3)</sup>	6,961	7,140	7,357	7,377	7,385	7,458	7,652	7,737	7,898	
Maintenance of plant:										
Work orders completed	58,172	58,885	64,550	63,380	60,156	59,393	60,322	64,754	61,529	
Average building age (years) <sup>(3) +</sup>	20	21	21	22	22	22	23	23	22	
Administration:										
Payments issued	61,458	62,909	67,125	69,653	70,328	65,060	66,412	64,504	65,035	
Purchased orders issued	42,621	46,843	48,343	49,609	43,233	58,858	49,870	59,866	33,436	
<b>Business-Type Activities:</b>										
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	
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	
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	
Average annual rental months	11	10	11	11	11	11	11.1	11.42	11.31	
Field Trip:										
Number of trips run	NA	NA	7,224	7,392	8,004	9,277	9,800	10,913	11,632	
Trip miles	NA	NA	259,977	270,741	298,324	366,796	385,878	427,679	440,462	
Entrepreneurial activities:										
Science kits sold	3,239	3,922	4,356	12,621	5,871	7,975	4,806	5,676	4,748	

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) FY2012 Annual Report on Our Call to Action: Pursuit of Excellence (The Strategic Plan for the Montgomery County Public Schools)

(2) Citizens Report 2012

(3) FY2012 Educational Facilities Master Plan and the Amended FY2010-2015 Capital Improvements Program

(4) The Superintendent's FY2012 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) FY2012 Fact Sheet Prepared by Employee and Retiree Service Center

MONTGOMERY COUNTY PUBLIC SCHOOLS  
EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental Activities:</b>				
<b>Instruction</b>				
Regular instruction:				
Teachers	9,197	9,257	9,302	9,546
Other staff	1,400	1,343	1,354	1,354
Total Regular instruction	<u>10,597</u>	<u>10,600</u>	<u>10,656</u>	<u>10,900</u>
Special education:				
Teachers	1,665	1,708	1,775	1,867
Other staff	1,117	1,166	1,206	1,269
Total Special education	<u>2,782</u>	<u>2,874</u>	<u>2,981</u>	<u>3,136</u>
School administration	1,486	1,498	1,543	1,610
Student personnel services	89	121	121	122
Total Instruction	<u>14,954</u>	<u>15,093</u>	<u>15,301</u>	<u>15,768</u>
<b>Support services:</b>				
Student transportation	1,522	1,620	1,688	1,728
Operation of plant	1,272	1,280	1,285	1,322
Maintenance of plant	368	363	380	389
Administration	321	326	334	345
Total Support services	<u>3,483</u>	<u>3,589</u>	<u>3,687</u>	<u>3,784</u>
<b>Special Revenue:</b>				
Instructional TV	14	14	14	14
<b>Business-Type Activities:</b>				
Food Service	545	575	577	590
Adult Education	8	8	6	5
Real Estate Management	4	4	4	5
Field Trips	3	3	3	3
Entrepreneurial activities	<u>6</u>	<u>7</u>	<u>9</u>	<u>9</u>
Position Grand total	<u>19,017</u>	<u>19,293</u>	<u>19,601</u>	<u>20,178</u>

Source:

The Superintendent's FY 2012 Operating Budget Summary and Personnel Complement



2007	2008	2009	2010	2011	2012
9,679	9,666	9,589	9,690	9,453	9,467
1,392	1,429	1,371	1,374	1,351	1,208
<u>11,071</u>	<u>11,095</u>	<u>10,960</u>	<u>11,064</u>	<u>10,804</u>	<u>10,675</u>
1,985	2,024	2,047	2,094	2,117	2,114
1,377	1,412	1,424	1,514	1,545	1,547
<u>3,362</u>	<u>3,436</u>	<u>3,471</u>	<u>3,608</u>	<u>3,662</u>	<u>3,661</u>
1,675	1,691	1,677	1,662	1,683	1,669
120	122	118	111	110	109
<u>16,228</u>	<u>16,344</u>	<u>16,226</u>	<u>16,445</u>	<u>16,259</u>	<u>16,114</u>
1,750	1,751	1,745	1,742	1,742	1,733
1,390	1,405	1,403	1,398	1,407	1,430
377	380	396	389	380	380
363	377	369	358	339	327
<u>3,880</u>	<u>3,913</u>	<u>3,913</u>	<u>3,887</u>	<u>3,868</u>	<u>3,870</u>
14	14	14	14	14	13
601	602	605	584	584	584
-	-	-	-	-	-
4	4	7	7	7	7
3	3	4	5	5	5
10	10	8	10	9	9
<u>20,740</u>	<u>20,890</u>	<u>20,777</u>	<u>20,952</u>	<u>20,746</u>	<u>20,602</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF INSURANCE IN FORCE  
as of June 30, 2012

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	07/01/12-07/01/13		\$100,000
Workers' Compensation	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/12-07/01/13		As required by Maryland Statutes Plus \$100,000 Insurance Fund
Excess Liability Auto & General Liability	Starr Surplus Lines Insurance Co.	SLSCPEA00000112	07/01/12-06/30/13		\$10,000,000 \$3,000,000 Self-Insurance Fund Pays 1st \$3 Million
Property All Risk Coverage	FM Global	LP893	07/01/12-06/30/13		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	07/01/98-07/01/13		Same as Above
Commercial Crime Policy Bond Coverage - all Employees	Zurich Insurance	CCP006103407	07/01/12-06/30/13		\$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	08/15/12-08/15/13		\$100,00 Medical Expense after 52 weeks After accident - \$2,500 Death
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/12-08/01/13		\$5,000,000 Medical Expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/12-06/30/13		No limits
Fiduciary Liability	National Union Fire Insurance Co.	02-190-90-69	07/01/12-06/30/13		\$5,000,000

N/A-Not Applicable

Source: Department of Financial Services



ROCKVILLE, MARYLAND

Published by the Department of Materials Management  
for the Division of Controller  
0411.13 • Editorial, Graphics & Publishing Services • 10/12 • 250

