

for the Fiscal Year Ended **JUNE 30, 2016**

Comprehensive Annual FINANCIAL REPORT

Board of Education of Montgomery County
a component unit of Montgomery County, Maryland

ROCKVILLE, MARYLAND



Jack R. Smith, Ph.D.
Superintendent of Schools

Maria V. Navarro, Ed.D.
Chief Academic Officer

Kimberly A. Statham, Ph.D.
Deputy Superintendent of School Support and Improvement

Andrew M. Zuckerman, Ed.D.
Chief Operating Officer

BOARD OF EDUCATION OF MONTGOMERY COUNTY
A Component Unit of Montgomery County, Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2016

Prepared by:

Office of the Chief Operating Officer

Andrew M. Zuckerman, Ed.D. *Chief Operating Officer*

Susanne G. DeGraba, *Chief Financial Officer*

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Cover Photograph:

Hallie Wells MS

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Rockville, MD 20850

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BOARD OF EDUCATION OF MONTGOMERY COUNTY
A COMPONENT UNIT OF MONTGOMERY COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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MONTGOMERY COUNTY PUBLIC SCHOOLS

www.montgomeryschoolsmd.org

September 29, 2016

MARYLAND

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



Maryland State law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (U.S. GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the Board of Education of Montgomery County for the fiscal year ended June 30, 2016.

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 the Board. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management has established a comprehensive internal control framework. Internal accounting controls are designed to provide reasonable assurance that assets are safeguarded and accounted for properly and to ensure the reliability of accounting information for preparing financial statements in conformity with U.S. GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Board 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.

The Board 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 the Board's separately issued Single Audit Report.

Board Profile

The Montgomery County Board of Education is the elected body, corporate and politic, established under Maryland State law to provide public education in kindergarten through twelfth grade to children residing within the borders of Montgomery County, Maryland. The Board is composed of five district members and two at-large members elected for a four-year term, 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 Board Operating Budget is approved by the Montgomery County Council. The Board has no power to levy and collect taxes or increase the budget. Because of the relationship with Montgomery County, the Board is considered a component unit of the County Government, as defined by U.S. GAAP for governmental entities.

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

Relevant Financial Policies

The school system financial policies, endorsed by Board 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's strategic planning framework; provide financial accountability and transparency to the citizens of Montgomery County; obtain a fair share of state aid; and carefully manage indebtedness and debt service.

The Board 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's strategic planning framework.

Factors Affecting Financial Condition

Local economy—According to the Bureau of Labor Statistics, U.S. Department of Labor, as reported by the county's Office of Finance published in its Economic Indicators Report as of July 2016, Montgomery County's resident employment for the second quarter of 2016 increased by less than 1,200 (+0.2 percent) from the second quarter of 2015. On a fiscal year basis, resident employment was at 529,456 in Fiscal Year (FY) 2016 compared to 524,375 in FY 2015. This was an increase of 5,081 persons employed (+1.0 percent).

The Office of Finance's report also indicated that the county's average monthly unemployment rate during the second quarter of 2016 declined to 3.4 percent compared to 4.0 percent in the second quarter of 2015. The unemployment rate declined from 4.2 percent for FY 2015 to 3.7 percent in FY 2016. The county's unemployment rate remains one of the lowest in the state of Maryland.

On a fiscal year basis, the county reports that the number of new residential construction starts decreased 6.8 percent in FY 2016, and the total value of new construction added was \$980.1 million for the fiscal year, which was 2.9 percent below FY 2015. During FY 2016, the number of nonresidential projects started increased by 26.8 percent and the total added value increased by \$52.2 million (+8.8 percent) to a total of \$644.0 million.

During the second quarter of 2016, existing home sales increased 9.9 percent compared to the second quarter of 2015. This is the fifth consecutive quarterly increase for Montgomery County suggesting a strong rebound in the real estate market according to the county. The county attributes this to low mortgage rates and a positive outlook in employment. However, the average monthly median sales prices for an existing home decreased 0.1 percent in FY 2016.

Finally, using sales tax receipts as a measure of retail sales in the county, the Department of Finance reports that retail sales increased by an estimated 0.9 percent in FY 2016 mostly attributed to the sale of durable goods.

Overall, the major economic indicators for Montgomery County confirm that the economy experienced mixed economic performance in the second quarter of 2016 compared to the same period in 2015. While the data for the second quarter of 2016 are mixed, data for the fiscal year suggest that the local economy experienced growth particularly in employment and home sales.

Long-term financial planning—Montgomery County’s Department of Finance expects the county’s payroll employment to grow at an average annual rate of 0.8 percent per year through 2022. This is the same annual average rate of growth experienced between 2009 and 2015. Residential employment also is expected to increase by an average annual rate of 0.8 percent through 2022. This is below the average annual rate of 1.0 percent experienced between 2009 and 2015 and lower than the rate projected in 2015.

Wage and salary income is expected to grow at an average annual rate of 4.0 percent through 2022. Total wage and salary income is expected to reach \$47.0 billion for the county by 2022. Personal income in the county is estimated to grow at an average annual rate of 4.4 percent through 2022. By 2022, total personal income is projected to reach \$107.2 billion.

The annual average inflation rate is projected to increase to 1.3 percent in 2016. Looking ahead, inflation is projected at 2.3 percent in 2017 and 2018 and to increase to 2.7 percent from 2019 to 2022.

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

Based on the three agreements, employees received a general wage increase of 1.5 percent effective November 29, 2014, and a 2 percent general wage increase effective October 17, 2015, and employees were to receive a 2 percent general wage increase effective September 3, 2016. The agreements also provide annual step increases and longevity increases based on certain eligibility criteria. Additionally, effective March 4, 2017, all employees who missed a step increase in FY 2012 due to the negotiated deferral of step increases, or new employees with previous experience who had their “hire-in” rate adjusted back one step in FY 2012 and who have an additional step available, were to advance one additional step on the salary schedule.

However, the appropriation that the County Council passed on May 26, 2016, for the FY 2017 Board Operating Budget left a funding gap of \$41.2 million compared to the Board’s budget request. In order to close the funding gap, the Board took several steps at its meeting on June 14, 2016, when it approved the final FY 2017 Operating Budget. One of those steps was to approve the FY 2017 Operating Budget, which included a 1 percent salary increase for all pay schedules effective July 1, 2016, instead of the pay increases that had been scheduled for September 3, 2016. Also eliminated were the “makeup step”

to be effective March 4, 2017, and the revised salary schedules for all bargaining units to be effective that same date. The Board's FY 2017 adopted budget in February 2016 had included an increase of \$55.3 million for continuing salaries and related benefits. This amount anticipated a 2 percent general wage adjustment (GWA) and step increases for eligible employees scheduled for September 3, 2016, and a makeup step increase for eligible employees that was to be effective on March 4, 2017. Based on a GWA of 1 percent, as well as step and longevity increases for eligible employees, which was effective on July 1, 2016, this amount was reduced by \$22.1 million for a total of \$33.2 million.

Negotiations with the employee associations on new contracts to be effective July 1, 2017, will begin in fall 2016.

Enrollment—The Board's student enrollment has increased by 36,156 students in the last 20 years. Enrollment increases during this period are a product of a strong regional economy and housing market. Increases in resident births, as well as migration to the county, resulted in a more than 1,800 annual increase in enrollment since 1996. More recently, large increases in enrollment occurred as a byproduct of the Great Recession. The severe economic downturn resulted in more students enrolling in public school from private schools, the doubling up of housing in some areas of the county, and reduced migration out of the county due to more severe economic conditions elsewhere. Between 2007 and 2015, the Board's student enrollment increased by 18,702 students in an eight-year period. Enrollment on September 30, 2015, was 156,447, an increase of 2,595 students from the previous year. Enrollment in the 2016–2017 school year is projected to continue to grow, with nearly 10,000 more students projected to enroll by 2021–2022.

School capacity continues to be an issue, as the Board is still trying to catch up with enrollment increases that have occurred in the past while facing additional enrollment increases in the future. Additional space needs are the result of increases in county births and migration into the school system. This year, the Board is addressing overutilization at schools with 381 relocatable classrooms, 333 of which are at elementary schools where space issues are most pronounced. To relieve overutilization of schools, the Board will build two new elementary schools and two new middle schools in the next six years. The Board also has a program for the revitalization and expansion of older schools. During the next six years, six elementary schools, two middle schools, three high schools, and two special education learning centers will be revitalized and expanded. The Board also adds capacity to schools through classroom additions. In the next six years, a total of 301 classrooms will be added at schools through classroom additions and expansion of schools undergoing revitalization. Even with all of these capital projects, the Board will continue to face space shortages in many of our schools.

Accomplishments and Awards

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

Top high schools—Six high schools rank in the top 200 of *The Washington Post 2016 High School Challenge*, and all 25 high schools appear on this list, which only includes the top 11 percent of high schools in the country. Thirteen high schools made the *U.S. News & World Report 2016* list of Best High Schools. The Board had the top six high schools in the state of Maryland.

Academic progress—Students at all levels are demonstrating improved academic achievement. The emphasis on rigorous course taking resulted in 33,554 Advanced Placement (AP) exams taken

by the Board's students in 2015. Students earned a college-ready score (3 or higher) on 74.2 percent of those exams. In 2015, the percentage of AP exams taken by the Board's African American students (51.7 percent) that earned college-ready scores of 3 or higher is significantly higher than the percentages of 34.1 percent in Maryland and 29.2 percent in the nation. In 2015, the percentage of AP exams taken by Hispanic students that earned college-ready scores of 3 or higher (58.4 percent) was greater than the percentage of exams for Hispanic students in Maryland (51.9 percent) and the nation (40.4 percent).

Return on Investment—More than \$343 million in scholarships were awarded to students in the Class of 2016.

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 the Board for its CAFR for the fiscal year ended June 30, 2015, for the twelfth consecutive year. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. For 35 consecutive years, the Board 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. The Board plans to submit the 2016 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

Acknowledgements

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

Sincerely,



Jack R. Smith, Ph.D.
Superintendent of Schools



Andrew M. Zuckerman, Ed.D.
Chief Operating Officer



Susanne G. DeGraba
Chief Financial Officer

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Government Finance Officers Association

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

Presented to

**Montgomery County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

Montgomery County Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

**BOARD OF EDUCATION OF MONTGOMERY COUNTY
LISTING OF OFFICIALS**

MEMBERS OF THE BOARD OF EDUCATION

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

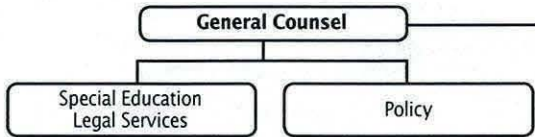
EXECUTIVE STAFF

Jack R. Smith (Dr.)Superintendent of Schools
Maria V. Navarro (Dr.) Chief Academic Officer
Kimberly A. Statham (Dr.)Deputy Superintendent, Office of School Support and Improvement
Andrew M. Zuckerman (Dr.)Chief Operating Officer
Joshua I. CivinGeneral Counsel
Henry R. Johnson, Jr. (Dr.)Chief of Staff, Office of the Superintendent of Schools
Jonathan T. Brice (Dr.)Associate Superintendent, Office of Student and Family Support and
Engagement
Sherwin Collette Chief Technology Officer
E. Lancelotti DempseyAssociate Superintendent, Office of Human Resources and
Development
Donna S. Hollingshead (Dr.).....Associate Superintendent of School Administration
LaVerne G. Kimball (Dr.) Associate Superintendent of Elementary Schools
Erick J. Lang (Dr.).....Associate Superintendent, Office of Curriculum and Instructional
Programs
Chrisandra A. Richardson.....Associate Superintendent, Office of Special Education
Darryl L. Williams (Dr.).....Associate Superintendent of Secondary Schools
Janet S. Wilson (Dr.)Associate Superintendent, Office of Shared Accountability

BOARD OF EDUCATION OF MONTGOMERY COUNTY

**MONTGOMERY COUNTY
BOARD OF EDUCATION**

Internal Audit



Superintendent of Schools

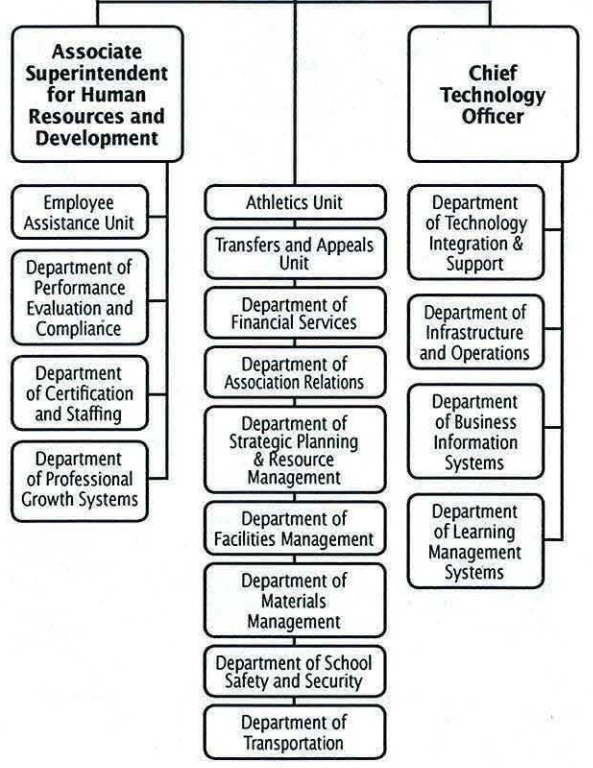
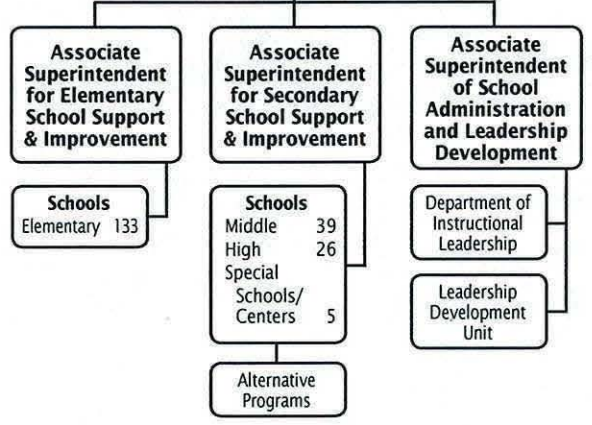
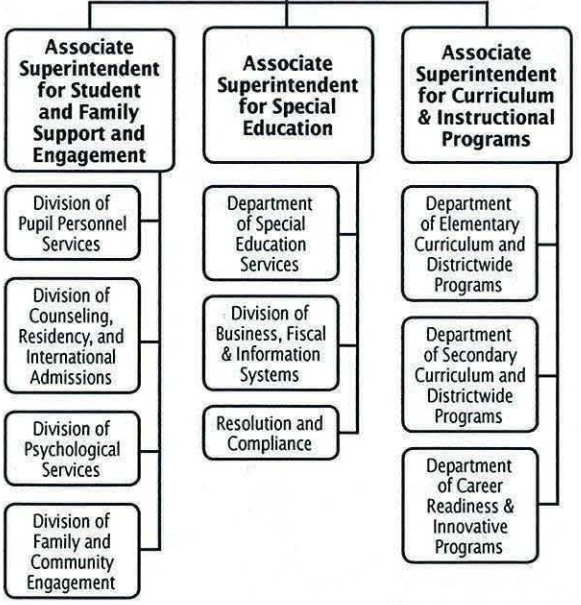
Chief of Staff



Chief Academic Officer

Deputy Superintendent of School Support and Improvement

Chief Operating Officer



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Board of Education
of Montgomery County, Maryland
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The Board of Education of Montgomery County, Maryland operating as Montgomery County Public Schools (the Board) a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component unit governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 14 through 27 and the schedule of changes in the employer's net pension liability and related ratios, the schedule of the employer's net pension liability, schedule of contributions and schedule of contributions for the Board Employees' Retirement and Pension System, the schedule of the Board's proportionate share of the net pension liability, and the schedules of funding progress and employer and other contributing entities contributions for the OPEB Plan Trust on pages 77-83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Baltimore, Maryland
September 29, 2016

Board of Education of Montgomery County Management's Discussion and Analysis

This section of the Board of Education of Montgomery County (the Board) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2016. 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 and deferred outflows of the Board exceeded its liabilities and deferred inflows at June 30, 2016, by \$1,639.3 million, which represents its net position.
- The Board's net position increased during the year by \$57.9 million.
- 76 percent of capital asset additions were directed toward instructional facilities.
- The Board successfully generated \$32.49 million in FY 2016 budgetary savings to be used to fund future operating budgets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board financial statements. The Board's 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 the Board's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Board 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 the Board include most of the district's basic services, such as regular and special education, transportation, and administration. The business-type activities of the Board include food services, real estate management operations, field trip services, and entrepreneurial activities.

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

The government-wide financial statements can be found on pages 29–31 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board 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*.

The Board 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.

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

The basic governmental fund financial statements can be found on pages 32–36 of this report.

Proprietary funds. The Board 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. The Board uses enterprise funds to account for its food services, real estate management, field trip, and entrepreneurial activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Board’s various functions. The Board 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 the Board. Data for the other three proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 37–39 of this report.

Fiduciary funds. The Board is the trustee, or fiduciary, for assets that belong to others, which includes the Montgomery County Public Schools Employee Retirement and Pension Plan, the OPEB Plan Trust, and the student activities funds. The Board 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. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 40–41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43–73 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 86–96 of this report.

Board of Education of Montgomery County Net Position
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 207.9	\$ 159.9	\$ 10.0	\$ 7.3	\$ 217.9	\$ 167.2
Capital assets	2,673.4	2,577.9	4.4	5.2	2,677.8	2,583.1
Deferred outflows of resources	217.0	84.2			217.0	84.2
Total assets and deferred outflows resources	3,098.3	2,822.0	14.4	12.5	3,112.7	2,834.5
Long-term liabilities outstanding	1,137.2	963.8	11.1	10.4	1,148.3	974.2
Other liabilities	210.5	157.2	4.2	4.2	214.7	161.4
Deferred inflows of resources	110.4	117.5			110.4	117.5
Total liabilities and deferred inflows resources	1,458.1	1,238.5	15.3	14.6	1,473.4	1,253.1
Net Position:						
Net investment in capital assets	2,639.4	2,545.4	4.4	5.2	2,643.8	2,550.6
Unrestricted	(999.2)	(961.9)	(5.3)	(7.3)	(1,004.5)	(969.2)
Total net position	\$ 1,640.2	\$ 1,583.5	\$ (0.9)	\$ (2.1)	\$ 1,639.3	\$ 1,581.4

Government-wide Financial Analysis

Net position may serve as a useful indicator of a government's financial position. The Board's net position, the amount by which assets exceed liabilities, increased \$57.9 million to \$1,639.3 million. The increase came from governmental activities, which increased by \$56.7 million to \$1,640.2 million. The largest portion of net position reflects the Board's investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by the Board to acquire those assets. Net investment in capital assets for governmental activities increased \$94 million to \$2,639.4 million. These assets are used by the Board in its instructional programs; consequently, these assets are not available for future spending.

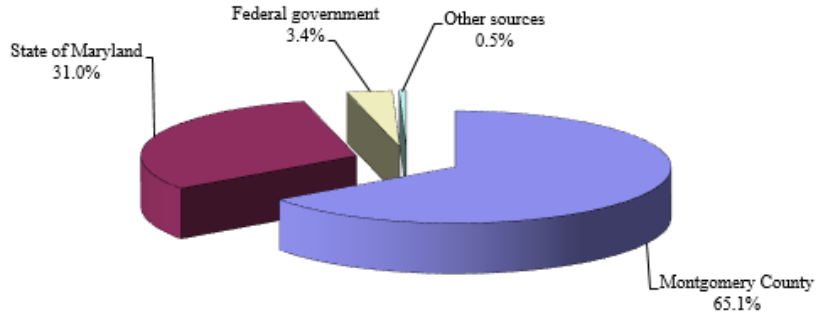
Montgomery County and the State of Maryland fund the Board school construction projects through the issuance of general obligation bonds. These bonds are not reflected in the Board's investment in capital assets, as the resources needed to repay these bonds must be provided by Montgomery County and the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

The unrestricted net deficit increased \$35.3 million to a \$1,004.5 million deficit at June 30, 2016. The increase in unrestricted net deficit is primarily attributed to the increase in the net OPEB obligation of \$52.9 million. The net OPEB obligation increased from \$520.8 million to \$573.7 million as a result of the assets taken out of MCPS and County Consolidated OPEB trust to fund postemployment health benefits expense. The compensated absences increased \$3.1 million. The Internal Service fund balance decreased \$5.1 million. The expense increases were offset by savings from a decrease of \$7.7 million of lease activities, \$16.3 million of pension expense, and \$1.8 million saved in net position from FY 2016 operation.

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

Also, the Board implemented GASB Statement 68 in FY 2015. With the reporting change, the Board recorded the Employees' Retirement and Pension System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Since the Board employees are also covered by the Maryland State Retirement and Pension System (the System), the Board is allocated its proportionate share of State Employees' Retirement and Pension system's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Board. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$359,296,844 in FY 2015.

Revenues by Source - Governmental Activities



Governmental activities. Governmental activities unrestricted net deficit increased \$37.3 million to a deficit of \$999.2 million at June 30, 2016. The increase in unrestricted net deficit arose primarily from an increase of \$52.4 million in the net OPEB obligation, \$2.9 million in compensated absences, \$5.1 million in the Internal Service fund balance, and a fund balance deficit of \$0.9 million from 2016 operations. The deficit is offset by a saving of \$7.7 million in lease activities, and \$16.3 million in pension expense.

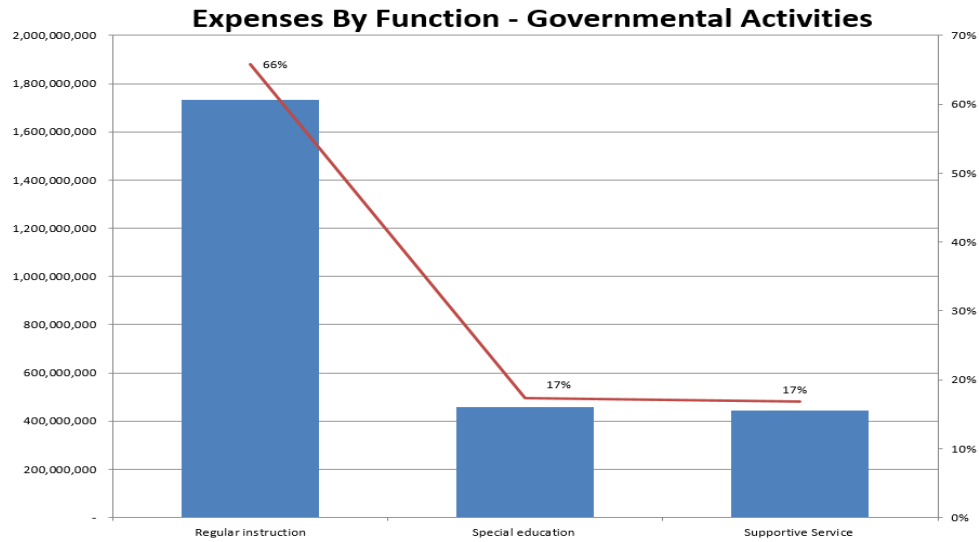
Total revenues for the Board's governmental activities increased \$37.3 million (1.4 percent). Intergovernmental revenues increased \$55 million (2.2 percent), and operating grants revenues decreased \$1.8 million (2.2 percent). Intergovernmental revenues from Montgomery County increased \$28 million (1.7 percent). The increase is primarily due to an increase of \$7 million in general operating revenue and an increase of \$21 million in capital projects revenue in 2016. Intergovernmental revenue from the State of Maryland increased \$18.5 million (2.3 percent), related to an increase of \$9.8 million in unrestricted *Bridge to Excellence* formula-driven grants, and an increase of \$8.7 million in construction funds. Federal intergovernmental revenue increased \$8.5 million, largely due to an increase of \$8.7 million in Medicare Part D subsidies, and offset by a decrease of \$0.2 million in federal impact aid program.

Board of Education of Montgomery County in Net Position
(Amounts expressed in millions)

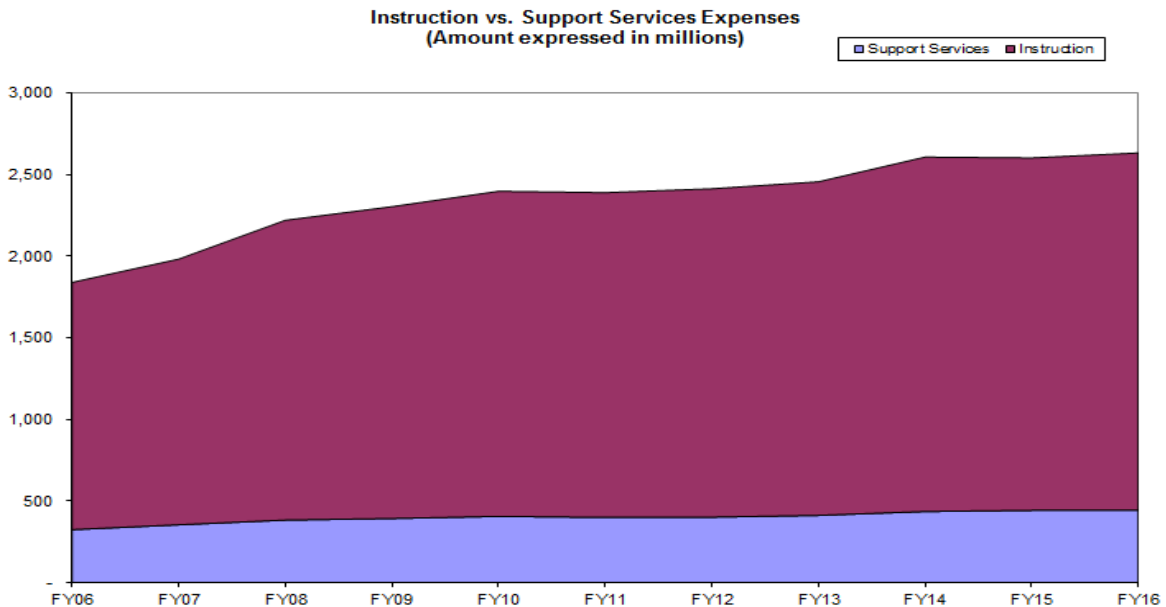
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 4.0	\$ 3.8	\$ 24.1	\$ 23.8	\$ 28.1	\$ 27.6
Operating grants and contributions	78.3	80.1	41.3	38.7	119.6	118.8
Capital grants and contributions	54.6	78.4	0.1	0.4	54.7	78.8
General revenues:						
Intergovernmental	2,545.1	2,490.1			2,545.1	2,490.1
Other	8.2	0.5	-	-	8.2	0.5
Total revenues	<u>2,690.2</u>	<u>2,652.9</u>	<u>65.5</u>	<u>62.9</u>	<u>2,755.7</u>	<u>2,715.8</u>
Expenses:						
Regular instruction	1,509.1	1,507.2			1,509.1	1,507.2
Special education	456.8	433.3			456.8	433.3
School administration	207.8	203.5			207.8	203.5
Student personnel services	17.1	16.6			17.1	16.6
Health services	-	-			-	-
Student transportation	138.8	135.0			138.8	135.0
Operation of plant	170.0	169.6			170.0	169.6
Maintenance of plant	69.8	69.5			69.8	69.5
Administration	59.9	64.3			59.9	64.3
Community services	3.1	3.2			3.1	3.2
Interest on capital leases	1.1	0.8			1.1	0.8
Food services			56.5	54.3	56.5	54.3
Real estate management			3.3	3.4	3.3	3.4
Field trips			2.0	1.9	2.0	1.9
Entrepreneurial activities			2.5	2.5	2.5	2.5
Total expenses	<u>2,633.5</u>	<u>2,603.0</u>	<u>64.3</u>	<u>62.1</u>	<u>2,697.8</u>	<u>2,665.1</u>
Increase (decrease) in net position	56.7	49.9	1.2	0.8	57.9	50.7
Beginning, restated *	<u>1,583.5</u>	<u>1,533.6</u>	<u>(2.1)</u>	<u>(2.9)</u>	<u>1,581.4</u>	<u>1,530.7</u>
Net position, June 30	<u>\$ 1,640.2</u>	<u>\$ 1,583.5</u>	<u>\$ (0.9)</u>	<u>\$ (2.1)</u>	<u>\$ 1,639.3</u>	<u>\$ 1,581.4</u>

* The Board implemented GASB Statement No. 68 effective July 1, 2014. The net position as of July 1, 2015 presented has been restated to reflect the implementation of GASB 68.

Total expenses for the Board governmental activities increased \$30.5 million (1.2 percent) to \$2,633.5 million. In 2016, instructional programs expenses accounted for 83 percent, (83 percent in 2015), and support services accounted for 17 percent (17 percent in 2015) of total governmental activities expenses.



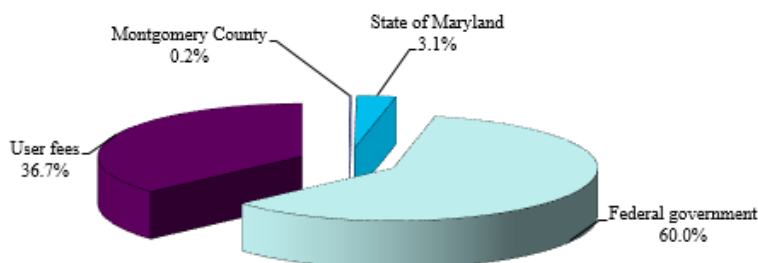
Support service and instructional expenses remain flat as the result of internal savings and cost reduction programs which are the primary source for funding instructional program initiatives. Employee healthcare benefits contributions increased \$15 million (6.6 percent). Other postemployment healthcare benefits contribution decreased \$7.3 million (68.6 percent) since the Council agreed with the county executive to provide \$27.2 million from the county's Consolidated OPEB Trust Fund along with \$23.95 million remaining in the school OPEB Trust Fund to cover current retiree health benefits expenditures in FY 2016. General fund salaries increased \$31.5 million (2.09 percent) primarily due to steps and longevity increases in FY 2016. The FY 2016 Operating Budget reopened the collective bargaining agreements with three employee associations based on the economic provisions for the agreements. As a result of these discussions, the salary and step increases that were to take effect on October 3, 2015 were delayed by one pay period, becoming effective on October 17, 2015. This delay saved about \$3.6 million.



Business-type activities. Business-type activities increased the Board’s net position by \$1.2 million. Total revenues increased \$2.6 million (4.1 percent) to \$65.5 million. Charges for services increased \$0.3 million (1.3 percent) due to an increase of \$0.2 million on field trip income and \$0.3 million in rental fees, offset by a decrease of \$0.2 million on paid and reduced lunch sales. The decrease of \$0.2 million on Ala carte sales was due to new nutrition standards which reduced items available for students to purchase. In addition to an increase of \$0.6 million on USDA commodities, operating grants related to federal programs increased \$2.1 million (6.2 percent). In FY 16, federal free lunch meals increased by 171,000 and paid meals increased by 52,668. The rate for paid meals served in federal lunch program increased from \$0.36 to \$0.37 and free meals reimbursement rate increased from \$3.06 to \$3.15 which resulted in an increase of \$1.1 million (5 percent) for the Federal lunch program. The breakfast meal revenue increased \$0.6 million due to an additional 311,517 breakfasts served to students. Supper meals sold increased by 92,402 over FY 15 and a rate change from \$3.23 to \$3.31 resulted in an increase of revenue \$0.3 million. The Capital contribution related to food service equipment in schools decreased \$0.3 million.

Total expenses increased \$2.2 million (3.5 percent). Food services operating expenses increased \$2.2 million (4.1 percent) and field trip operating expense increased \$0.1 million (5.3 percent), offset by a decrease of \$0.1 million (2.9 percent) of real estate management expenses. Food costs increased \$1 million (6.8 percent). A new beverage option (8oz water) was added to elementary schools in addition to milk as beverage choice. As a result, water purchases increased by 23,905 cases in FY 16. Furthermore, the cost of beef dramatically increased, in addition to an increase in the cost of egg and poultry products due to Avian flu. Salary costs increased \$0.5 million (2.1 percent) due to COLA, step increases, and increased use of part-time, substitute expense related to the increased school participation in the summer meal program and the MMFA breakfast program. USDA purchases increased \$0.6 million (22 percent) due to a correction of \$0.3 million for understated FY 2015 expense and an average 11 percent food cost inflation over the past two years. Other charges increased \$1.1 million (9 percent) due to an increase of the required OPEB contribution by \$0.2 million (75.2 percent), an increase of food service equipment purchases by \$0.6 million, and an increase of employee benefit costs by \$0.3 million (2.5 percent).

Revenues by Source - Business-type Activities



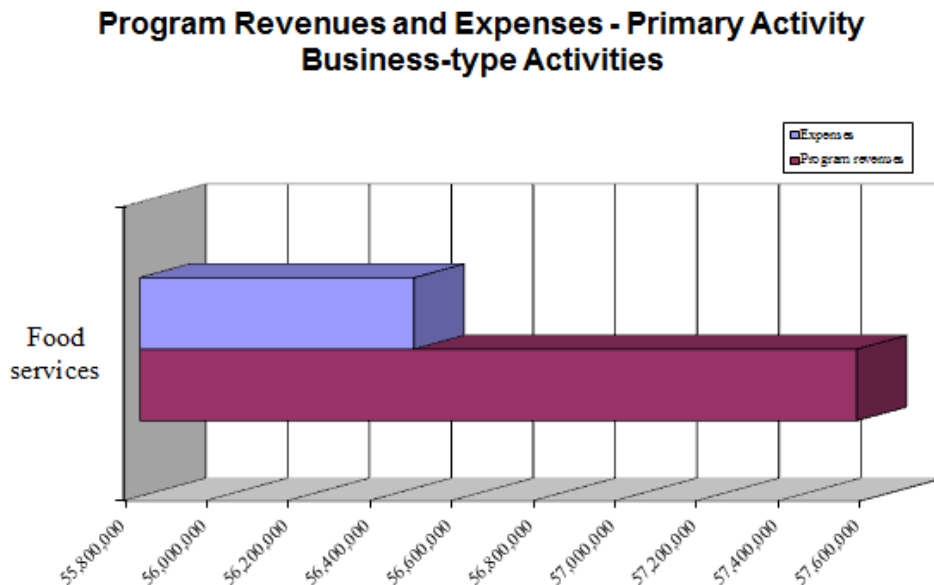
Financial Analysis of the Board's Funds

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

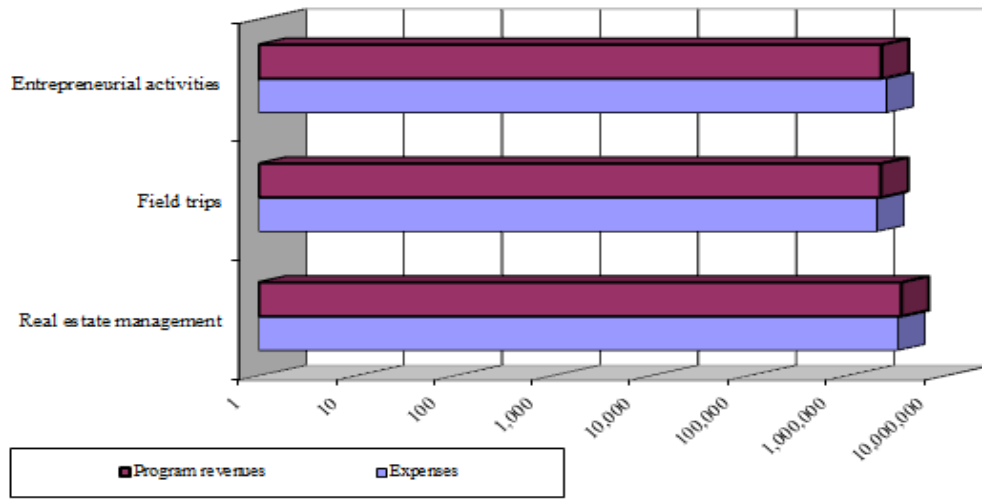
Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure 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, the Board's governmental funds reported combined ending fund balance of \$33.6 million, a decrease of \$0.9 million from the prior year. Fund balance restricted for the instructional TV program is \$0.3 million, the same as the prior year.

The general fund is the principal operating fund of the Board. At June 30, 2016, fund balance was \$33.3 million. Nonspendable fund balance was \$7.8 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 \$0.8 million to \$3.6 million. Unassigned fund balance decreased by \$2.1 million to \$21.9 million at June 30, 2016. The capital projects' fund balance is zero. This is because project budgets are fixed depending upon capital project funding adopted by the county and state governments. A more detailed discussion of capital projects spending found in the Capital Assets section of MD&A.



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



Proprietary funds. The Board’s 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 2016 was \$2,267.3 million. The increase of \$1,001,806 from original budget was a result of a federal pre-kindergarten expansion grant of \$734,400, and a twenty-first century learning centers grant (Knight Time at Wheaton High School) of \$264,406.

Actual budgetary fund balance was reduced by \$3.4 million to \$36.5 million. The decrease in fund balance resulted primarily from using \$33.2 million from the Board fund balance.

Actual revenues were \$12.9 million under budget for the year primarily as a result of \$11.4 million under budget on restricted grants. Unrestricted revenue was \$1.5 million under budget. State revenue for tuition for students attending nonpublic programs was down \$1.4 million, and Federal Impact Aid was down \$0.1 million. Restricted revenues were \$11.4 million under budget, comprised of \$3.8 million estimated restricted grant activity that did not materialize, and \$7.6 million in unrealized revenue for grants that carried forward into FY 2016.

Actual expenditures were \$45.4 million under budget. Restricted expenditures were \$11.4 million less than the budget, consisted of \$7.6 million in unspent funds for grants that carry forward into FY 2016, and \$3.8 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$34 million under budget. Most of the reduction resulted from a savings plan implemented, higher than budgeted instructional salaries lapse, and personnel turnover.

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, 2016, the Board's investment in capital assets for its governmental and business-type activities amounts to \$2,677.8 million, net of accumulated depreciation. This amount represents a net increase of \$94.7 million or 3.7 percent from last year. The net value of buildings, less accumulated depreciation, increased \$142.9 million and construction in progress decreased \$87.1 million.

Board of Education of Montgomery County Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 87.7	\$ 81.2	\$ -	\$ -	\$ 87.7	\$ 81.2
Buildings	2,179.0	2,036.1			2,179.0	2,036.1
Improvements other than buildings	276.6	246.8			276.6	246.8
Vehicles and equipment	72.1	68.7	4.4	5.2	76.5	73.9
Construction	58.0	145.1			58.0	145.1
Total	\$ 2,673.4	\$ 2,577.9	\$ 4.4	\$ 5.2	\$ 2,677.8	\$ 2,583.1

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2016, the Board added 45 classrooms including 18 classrooms at Clarksburg High School, 6 classrooms at Arcola Elementary School, 8 classrooms at Bethesda Elementary School, 6 classrooms at North Chevy Chase Elementary School, and 7 classrooms at Rosemary Hills Elementary School. With the revitalization and expansion projects of Wheaton High School, the capacity increased by 15 more classrooms. In FY 2017, the Board will add 26 classrooms associated with the construction of building addition projects of Julius West Middle School (18), and Wood Acres Elementary School (8). With the revitalization and expansion project of Farquhar Middle School, the capacity could increase 4 more classrooms. Furthermore the Board will add 48 classrooms with the opening of Hallie Wells Middle School.

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

Long-term debt. At June 30, 2016, the Board had \$58.8 million in capital leases outstanding. The Board 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 \$22.4 million during FY 2016. Principal payments on existing capital leases were \$28.8 million during the current year.

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

Factors Bearing on the Board's Future

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

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 the Board. The Statement established standards for the measurement, recognition and reporting of OPEB expenditures and related liabilities. The Statement requires the Board 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. The Board created the OPEB Plan Trust to account for its OPEB activity. Additional information about the Board's OPEB funding can be found in note 12 to the financial statements.

The Board 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 the Board. The Board 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, the Board 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 UAAL contributions to the Board due to declining county tax revenues. 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 the Board retirees. Beginning in FY 2012, and each year thereafter, the Board annual UAAL contribution has been made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the Board OPEB Plan Trust. The current Board OPEB Plan Trust was drawn down through either the transfer of funds to the Board Retiree's Trust fund or the processing of claims and expense against this account as of July 1, 2015. Montgomery County contributed \$85.5 million and \$61.7 million respectively in FY 2015 and FY 2016 on behalf of the Board. In FY 2016, the Board had \$51.2 million in total retiree pay-as-you-go funding, with \$24 million in assets from the Board internal OPEB Trust and \$27.2 million in assets from the county's Consolidated OPEB Trust. In FY 2017, the County Budget fully funds the school OPEB pre-funding requirement of \$63.1 million. The Council authorized the use of \$27.2 million in assets from the county's Consolidated OPEB Trust Fund and \$37.1 million in tax supported funding to cover current retiree health benefits expenditures.

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

Pension Plan. The Board has adopted Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. The objective of this Statement

requires the Board to report on the government-wide statement of net position a “Net Pension Liability” if the obligation for pension benefits attributable to past service exceeds the resources held in the pension trust fund to pay benefits. If recognizing a Net Pension Liability on the financial statements, the Board is required to record a pension expense on the government-wide statement of activities.

The Board has adopted Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This is an amendment to GASB Pronouncement No. 68 and addresses an issue relating to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

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

Bridge to Excellence. The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The *Bridge to Excellence in Public Schools Act* (BTE) Senate Bill (SB) 856 provides additional statewide funding to assure the adequacy of educational resources while redirecting resources more equitably to meet the needs of students with disabilities, limited English proficient students, and students impacted by poverty. In FY 2016, the Board received an increase of \$5.6 million in state aid. The Geographic Cost of Education Index (GCEI) funding was reduced by nearly half, decreasing to a total of \$17.7 million in FY 2016. The GCEI adjustment is to recognize the higher cost of education in some school districts. The Maryland General Assembly passed legislation (Senate Bill 183) in 2015 changing GCEI funding from discretionary to mandatory funding beginning in FY 2017 if the Governor did not fully fund GCEI funding in FY 2016. The bill was allowed to go into law without the Governor’s signature. As a result, the Board will receive a funding of \$35,976,870 in FY 2017. The various other BTE state aid categories reflected increases over FY 2015.

Master Plan. In accordance with the mandates of BTE, the Board has submitted to the Maryland State Department of Education the Master Plan Annual Update to indicate how its schools will meet established goals for student achievement. The strategic plan for the school system, *Building Our Future Together*, formed the basis of the Master Plan in FY 2016, 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 Master Plan Annual Update, and the Board has submitted the annual required updates to the plan, which also was approved by the Maryland State Board of Education. Legislation passed by the Maryland General Assembly earlier in 2016 will change the submission requirements for the Master Plan Annual Update for the next two years starting with the submission in October 2016.

Additionally, the State of Maryland has adopted the Common Core State Standards (CCSS) – a set of high quality academic expectations in English language arts and mathematics that define the knowledge and skills all students should master by the end of each grade level. Along with the CCSS, Maryland has implemented new assessments – the Partnership for Assessment of

Readiness for College and Careers (PARCC). The PARCC assessments replace the former Maryland State Assessments and are computer based, aligned with the CCSS, and allow tracking of student progress over time. All of these requirements have significant potential cost impacts associated with them.

Maintenance of Local Effort. In 2012, the Maryland General Assembly adopted SB 848 that clarified and strengthened requirements for counties to maintain the local financial commitment to public schools. SB 848 provides significant protection of local funding for public schools, especially during periods of economic challenges. The law requires all counties and the City of Baltimore to provide at least as much local tax revenue per student as the previous fiscal year. Instead of penalizing a school district with the loss of increased state aid, SB 848 provides for the diversion of sufficient local income tax collections to assure that a 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 law provides broader criteria for a waiver application to the Maryland State Board of Education, but also limits the amount of the possible waiver. Montgomery County has met Maintenance of Effort requirements each year.

Requests for Information

This financial report is designed to provide a general overview of the Board's 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, Board of Education of Montgomery County, 45 West Gude Drive, Suite 1200, Rockville, Maryland 20850.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Educational Foundation
Assets				
Equity in pooled cash and investments	\$ 42,160,944	\$ 1,230,065	\$ 43,391,009	\$
Cash and cash equivalents		6,952,834	6,952,834	345,349
Investments - cash equivalents	22,244,398		22,244,398	5,039,972
Accounts receivable:				
Montgomery County	64,992,906	8,437	65,001,343	
State of Maryland	13,160,407	167,013	13,327,420	
Federal government	21,601,637	2,514,302	24,115,939	
Other	32,177,232	424,735	32,601,967	
Due from component unit	63,799		63,799	
Internal balances	3,482,626	(3,482,626)		
Inventories	7,443,263	2,228,405	9,671,668	
Prepays	337,779		337,779	
Due from employees	151,019		151,019	
Capital assets (net of accumulated depreciation):				
Land	87,693,060		87,693,060	
Buildings and additions	2,179,015,733		2,179,015,733	
Improvements other than buildings	276,657,590		276,657,590	
Construction in progress	58,010,200		58,010,200	
Vehicles and equipment	72,056,106	4,439,974	76,496,080	13,271
Total assets	2,881,248,699	14,483,139	2,895,731,838	5,398,592
Deferred Outflows Of Resources				
Pension deferrals	217,019,075		217,019,075	
Total deferred outflows of resources	217,019,075	-	217,019,075	-
Liabilities				
Accounts payable and other current liabilities	163,533,985	1,000,805	164,534,790	
Due to primary government				63,799
Due to external parties	8,295,874		8,295,874	
Unearned revenue	5,446,352	2,967,374	8,413,726	
Noncurrent liabilities:				
Due within one year	33,236,661	273,336	33,509,997	
Due in more than one year	1,137,164,601	11,089,973	1,148,254,574	
Total liabilities	1,347,677,473	15,331,488	1,363,008,961	63,799
Deferred Inflows Of Resources				
Pension deferrals	110,414,312		110,414,312	
Total deferred inflows of resources	110,414,312	-	110,414,312	-
Net Position				
Net investment in capital assets	2,639,420,067	4,439,974	2,643,860,041	
Restricted for:				
Instructional Programs, Expendable				592,464
Scholarships, Non-Expendable				821,862
Unrestricted	(999,244,078)	(5,288,323)	(1,004,532,401)	3,920,467
Total net position	\$ 1,640,175,989	\$ (848,349)	\$ 1,639,327,640	\$ 5,334,793

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,509,093,578	\$ 3,431,098	\$ 34,408,176	\$ 28,623,306
Special education	456,783,996	192,533	38,407,212	
School administration	207,845,076		2,043,138	
Student personnel services	17,050,375		664,814	
Health services	836			
Total instruction	<u>2,190,773,861</u>	<u>3,623,631</u>	<u>75,523,340</u>	<u>28,623,306</u>
Support services:				
Student transportation	138,795,597	378,172	218,045	-
Operation of plant	169,976,798		-	4,093,463
Maintenance of plant	69,797,436		-	16,557,956
Administration	60,021,749		160,867	5,286,376
Community services	3,095,853		2,387,341	
Interest on capital leases	1,086,674			
Total support services	<u>442,774,107</u>	<u>378,172</u>	<u>2,766,253</u>	<u>25,937,795</u>
Total governmental activities	<u>2,633,547,968</u>	<u>4,001,803</u>	<u>78,289,593</u>	<u>54,561,101</u>
Business-type activities:				
Food services	56,469,606	16,119,711	41,326,131	104,574
Real estate management	3,251,364	3,536,447		
Field trips	1,991,456	2,184,988		
Entrepreneurial activities	2,504,873	2,226,617		
Total business-type activities	<u>64,217,299</u>	<u>24,067,763</u>	<u>41,326,131</u>	<u>104,574</u>
Total primary government	<u>\$ 2,697,765,267</u>	<u>\$ 28,069,566</u>	<u>\$ 119,615,724</u>	<u>\$ 54,665,675</u>
Component Unit:				
Educational Foundation	<u>\$ 1,349,281</u>	<u>\$ -</u>	<u>\$ 1,557,467</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,442,630,998)	\$ -	\$ (1,442,630,998)	\$ -
(418,184,251)		(418,184,251)	
(205,801,938)		(205,801,938)	
(16,385,561)		(16,385,561)	
(836)		(836)	
<u>(2,083,003,584)</u>	<u>-</u>	<u>(2,083,003,584)</u>	<u>-</u>
(138,199,380)		(138,199,380)	
(165,883,335)		(165,883,335)	
(53,239,480)		(53,239,480)	
(54,574,506)		(54,574,506)	
(708,512)		(708,512)	
(1,086,674)		(1,086,674)	
<u>(413,691,887)</u>	<u>-</u>	<u>(413,691,887)</u>	<u>-</u>
<u>(2,496,695,471)</u>	<u>-</u>	<u>(2,496,695,471)</u>	<u>-</u>
	1,080,810	1,080,810	
	285,083	285,083	
	193,532	193,532	
	(278,256)	(278,256)	
<u>-</u>	<u>1,281,169</u>	<u>1,281,169</u>	<u>-</u>
<u>(2,496,695,471)</u>	<u>1,281,169</u>	<u>(2,495,414,302)</u>	<u>-</u>
			<u>208,186</u>
1,699,998,943		1,699,998,943	
829,182,141		829,182,141	
15,914,171		15,914,171	
8,240,684	11,800	8,252,484	
<u>2,553,335,939</u>	<u>11,800</u>	<u>2,553,347,739</u>	<u>-</u>
56,640,468	1,292,969	57,933,437	208,186
1,583,535,521	(2,141,318)	1,581,394,203	5,126,607
<u>\$ 1,640,175,989</u>	<u>\$ (848,349)</u>	<u>\$ 1,639,327,640</u>	<u>\$ 5,334,793</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 42,160,944	\$ -	\$ -	\$ 42,160,944
Accounts receivable:				
Montgomery County	24,920,137	40,072,769		64,992,906
State of Maryland	8,148,626	5,011,781		13,160,407
Federal government	21,425,906	175,731		21,601,637
Other	28,541,157	1,779,706		30,320,863
Due from other funds	14,762,998	897,470	272,989	15,933,457
Due from fiduciary funds	422,287			422,287
Due from component unit	63,799			63,799
Inventories	7,443,263			7,443,263
Prepays	337,779			337,779
Due from employees	151,019			151,019
Total assets	<u>\$ 148,377,915</u>	<u>\$ 47,937,457</u>	<u>\$ 272,989</u>	<u>\$ 196,588,361</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,393,793	\$ 28,117,123	\$ 37	\$ 62,510,953
Retainage payable		7,650,158		7,650,158
Accrued salaries and withholdings	64,709,761			64,709,761
Due to other funds	3,009,681	12,170,176	7,666	15,187,523
Due to fiduciary funds	-			-
Unearned revenue	5,446,352			5,446,352
Compensated absences	7,495,268			7,495,268
Total liabilities	<u>115,054,855</u>	<u>47,937,457</u>	<u>7,703</u>	<u>163,000,015</u>
Fund Balances:				
Nonspendable:				
Inventories	7,443,263			7,443,263
Prepays	337,779			337,779
Restricted for:				
Instructional TV program			265,286	265,286
Assigned for:				
Instructional programs	3,615,674			3,615,674
Unassigned	21,926,344			21,926,344
Total fund balances	<u>33,323,060</u>	<u>-</u>	<u>265,286</u>	<u>33,588,346</u>
Total liabilities and fund balances	<u>\$ 148,377,915</u>	<u>\$ 47,937,457</u>	<u>\$ 272,989</u>	<u>\$ 196,588,361</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2016

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

Total fund balances - governmental funds		\$ 33,588,346
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	\$ 3,944,372,174	
Accumulated depreciation is	<u>(1,270,939,485)</u>	
		2,673,432,689
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		75,450,894
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.		(10,543,815)
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		(58,152,564)
Compensated absences	\$ (138,950,523)	
Compensated absences-Governmental Funds	<u>7,495,268</u>	
		(131,455,255)
Net pension liability		(407,544,783)
OPEB obligation		<u>(565,753,392)</u>
		(1,162,905,994)
Pension related deferred outflows/(inflows) of resources		<u>31,153,869</u>
Total net position - governmental activities		<u>\$ 1,640,175,989</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,569,437,582	\$ 182,390,183	\$ -	\$ 1,751,827,765
State of Maryland	787,158,163	45,322,042		832,480,205
Federal government	89,214,202	2,173,494		91,387,696
Other sources	4,742,467	1,582,493	1,654,209	7,979,169
Total revenues	<u>2,450,552,414</u>	<u>231,468,212</u>	<u>1,654,209</u>	<u>2,683,674,835</u>
Expenditures:				
Current:				
Administration	38,137,108			38,137,108
Mid-level administration	138,754,954			138,754,954
Instructional salaries and wages	903,658,977			903,658,977
Instructional textbooks and supplies	20,622,147			20,622,147
Other instructional costs	9,246,817			9,246,817
Special education	313,795,044			313,795,044
Student personnel services	11,392,324			11,392,324
Health services	836			836
Student transportation	103,885,365			103,885,365
Operation of plant	126,557,151			126,557,151
Maintenance of plant	35,772,435			35,772,435
Fixed charges	750,150,331			750,150,331
Community services	637,655		1,654,340	2,291,995
Debt service:				
Capital lease principal	14,285,699	13,937,941		28,223,640
Capital lease interest	663,816	422,858		1,086,674
Capital outlay		223,192,574		223,192,574
Total expenditures	<u>2,467,560,659</u>	<u>237,553,373</u>	<u>1,654,340</u>	<u>2,706,768,372</u>
Excess (deficiency) of revenues over expenditures	<u>(17,008,245)</u>	<u>(6,085,161)</u>	<u>(131)</u>	<u>(23,093,537)</u>
Other financing sources:				
Capital lease financing	16,066,816	6,085,161		22,151,977
Total other financing sources	<u>16,066,816</u>	<u>6,085,161</u>	<u>-</u>	<u>22,151,977</u>
Net change in fund balances	(941,429)	-	(131)	(941,560)
Fund balances - beginning	<u>34,264,489</u>	<u>-</u>	<u>265,417</u>	<u>34,529,906</u>
Fund balances - ending	<u>\$ 33,323,060</u>	<u>\$ -</u>	<u>\$ 265,286</u>	<u>\$ 33,588,346</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 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, 2016

Total net change in fund balances - governmental funds \$ (941,560)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays for capital project assets (\$223,192,574 less non-capitalized items of \$48,047,501) plus capital outlays for general fund assets (\$15,184,533) exceed depreciation expense (\$94,393,627) in the current period. 95,935,979

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets and the donation of land from developers is to decrease net position. (360,796)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 75,450,894

Some of the capital assets and assets below the capitalization threshold acquired this year were financed with capital leases. The amount financed by capital leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. Also, expenditures for principal repayment of capital leases are measured by the amount of financial resources used by governmental funds and have no effect on net position. This is the amount by which new capital leases (\$22,151,977) exceeded principal payments (\$28,223,640) 6,071,663

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	\$	(52,393,331)	
Compensated absences		(2,921,007)	
Pension expense		(59,112,119)	
			(114,426,457)

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. (5,089,255)

Change in net position of governmental activities \$ 56,640,468

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,507,631,597	\$ 1,507,631,597	\$ 1,507,704,582	\$ 1,507,704,582	\$ -
State of Maryland		632,352,737	632,352,737	634,258,580	632,645,347	(1,613,233)
Federal government		79,402,203	79,402,203	80,967,879	73,398,498	(7,569,381)
Other sources		11,012,376	11,012,376	8,469,679	4,742,467	(3,727,212)
Total revenues	-	2,230,398,913	2,230,398,913	2,231,400,720	2,218,490,894	(12,909,826)
Expenditures and encumbrances:						
Current:						
Administration	681,968	43,986,384	44,668,352	44,675,178	41,853,301	2,821,877
Mid-level administration	57,986	143,313,268	143,371,254	143,259,449	138,821,793	4,437,656
Instructional salaries and wages		919,968,017	919,968,017	916,818,282	902,612,971	14,205,311
Instructional textbooks and supplies	321,047	23,687,391	24,008,438	24,272,676	21,172,632	3,100,044
Other instructional costs	358,729	12,788,992	13,147,721	13,315,622	10,645,143	2,670,479
Special education	221,095	321,382,567	321,603,662	319,291,434	313,863,309	5,428,125
Student personnel services		11,855,760	11,855,760	11,861,959	11,395,184	466,775
Health services		3,590	3,590	3,590	836	2,754
Student transportation	1,887	104,755,447	104,757,334	104,762,760	100,308,606	4,454,154
Operation of plant	306,468	131,700,909	132,007,377	132,007,377	127,340,431	4,666,946
Maintenance of plant	803,764	34,363,984	35,167,748	35,367,748	35,261,321	106,427
Fixed charges	5,879	514,763,244	514,769,123	520,706,085	518,008,791	2,697,294
Community services		991,993	991,993	980,016	637,655	342,361
Total expenditures and encumbrances	2,758,823	2,263,561,546	2,266,320,369	2,267,322,176	2,221,921,973	45,400,203
Excess (deficiency) of revenues over expenditures and encumbrances	(2,758,823)	(33,162,633)	(35,921,456)	(35,921,456)	(3,431,079)	32,490,377
Excess (deficiency) of revenues over expenditures and encumbrances	(2,758,823)	(33,162,633)	(35,921,456)	(35,921,456)	(3,431,079)	32,490,377
Fund balance - beginning	2,758,823	33,162,633	35,921,456	35,921,456	39,883,731	3,962,275
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 36,452,652	\$ 36,452,652

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 1,230,065	\$ 1,230,065	\$ -
Cash and cash equivalents	6,952,834		6,952,834	
Investments - cash equivalents				22,244,398
Accounts receivable:				
Montgomery County	8,437		8,437	
State of Maryland	167,013		167,013	
Federal government	2,514,302		2,514,302	
Other		424,735	424,735	1,856,369
Due from other funds		247,248	247,248	2,736,692
Inventories	2,225,135	3,270	2,228,405	
Total current assets	<u>11,867,721</u>	<u>1,905,318</u>	<u>13,773,039</u>	<u>26,837,459</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	4,351,164	88,810	4,439,974	
Total noncurrent assets	<u>4,351,164</u>	<u>88,810</u>	<u>4,439,974</u>	<u>-</u>
Total assets	<u>16,218,885</u>	<u>1,994,128</u>	<u>18,213,013</u>	<u>26,837,459</u>
Liabilities				
Current liabilities:				
Accounts payable	756,900	243,905	1,000,805	1,010,552
Claims payable				20,526,621
Due to employees, advance premium withholdings				7,125,940
Due to other funds	3,691,112	38,762	3,729,874	-
Due to external parties				8,718,161
Unearned revenue	2,695,063	272,311	2,967,374	
Capital leases - current	185,203	26,064	211,267	
Compensated absences - current	62,069		62,069	
Total current liabilities	<u>7,390,347</u>	<u>581,042</u>	<u>7,971,389</u>	<u>37,381,274</u>
Noncurrent liabilities:				
Net OPEB obligation	7,974,822		7,974,822	
Capital leases payable	390,516	53,564	444,080	
Compensated absences	2,265,727	405,344	2,671,071	
Total noncurrent liabilities	<u>10,631,065</u>	<u>458,908</u>	<u>11,089,973</u>	<u>-</u>
Total liabilities	<u>18,021,412</u>	<u>1,039,950</u>	<u>19,061,362</u>	<u>37,381,274</u>
Net Position				
Net investment in capital assets	4,351,164	88,810	4,439,974	
Unrestricted (deficit)	<u>(6,153,691)</u>	<u>865,368</u>	<u>(5,288,323)</u>	<u>(10,543,815)</u>
Total net position	<u>\$ (1,802,527)</u>	<u>\$ 954,178</u>	<u>\$ (848,349)</u>	<u>\$ (10,543,815)</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 16,119,711	\$ -	\$ 16,119,711	\$ -
Rent and fees		7,948,052	7,948,052	
Employer's contributions				266,667,194
Members' contributions				39,924,790
Total operating revenues	<u>16,119,711</u>	<u>7,948,052</u>	<u>24,067,763</u>	<u>306,591,984</u>
Operating expenses:				
Salaries and wages	20,759,216	2,995,269	23,754,485	
Contracted services	1,551,643	732,516	2,284,159	
Supplies and materials	1,666,512	951,714	2,618,226	
Food purchases	15,689,771		15,689,771	
USDA commodities	3,276,718		3,276,718	
Other charges	12,619,572	3,042,820	15,662,392	3,586,087
Depreciation	906,174	25,374	931,548	
Benefits paid to plan members				254,910,981
Premiums paid to insurance companies				53,217,682
Total operating expenses	<u>56,469,606</u>	<u>7,747,693</u>	<u>64,217,299</u>	<u>311,714,750</u>
Operating income (loss)	<u>(40,349,895)</u>	<u>200,359</u>	<u>(40,149,536)</u>	<u>(5,122,766)</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	36,007,798		36,007,798	
State funds	2,041,615		2,041,615	
USDA commodities	3,276,718		3,276,718	
Investment income	11,800		11,800	33,511
Total nonoperating revenues	<u>41,337,931</u>	<u>-</u>	<u>41,337,931</u>	<u>33,511</u>
Income (loss) before capital contributions and transfers	988,036	200,359	1,188,395	(5,089,255)
Capital contributions - equipment	<u>104,574</u>		<u>104,574</u>	
Change in net position	1,092,610	200,359	1,292,969	(5,089,255)
Total net position - beginning	<u>(2,895,137)</u>	<u>753,819</u>	<u>(2,141,318)</u>	<u>(5,454,560)</u>
Total net position - ending	<u>\$ (1,802,527)</u>	<u>\$ 954,178</u>	<u>\$ (848,349)</u>	<u>\$ (10,543,815)</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 16,458,081	\$ 7,646,039	\$ 24,104,120	\$ 42,641,679
Receipts from assessments made to other funds				262,514,566
Payments to suppliers	(24,065,784)	(1,582,359)	(25,648,143)	(54,246,067)
Payments to employees	(22,048,493)	(3,143,926)	(25,192,419)	
Payments for insurance claims				(253,412,607)
Payments for assessments made by other funds	(9,583,830)	(426,115)	(10,009,945)	
Payments for other operating expenses	(1,095,898)	(2,392,796)	(3,488,694)	(3,586,087)
Net cash used by operating activities	<u>(40,335,924)</u>	<u>100,843</u>	<u>(40,235,081)</u>	<u>(6,088,516)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	37,669,145		37,669,145	
Transfers (to) from other funds				6,431,505
Net cash used by noncapital financing activities	<u>37,669,145</u>	<u>-</u>	<u>37,669,145</u>	<u>6,431,505</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	261,982	-	261,982	
Purchases of capital assets	(22,101)	-	(22,101)	
Principal paid on capital leases	(235,537)	(344,736)	(580,273)	
Net cash used by capital and related financing activities	<u>4,344</u>	<u>(344,736)</u>	<u>(340,392)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	11,800		11,800	31,636
Net cash provided by investing activities	<u>11,800</u>	<u>-</u>	<u>11,800</u>	<u>31,636</u>
Net increase (decrease) in cash and cash equivalents	(2,650,635)	(243,893)	(2,894,528)	374,625
Cash and cash equivalents - beginning	9,603,469	1,473,958	11,077,427	21,869,773
Cash and cash equivalents - ending	<u>\$ 6,952,834</u>	<u>\$ 1,230,065</u>	<u>\$ 8,182,899</u>	<u>\$ 22,244,398</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating loss	\$ (40,349,895)	\$ 200,359	\$ (40,149,536)	\$ (5,122,766)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	906,174	25,374	931,548	
USDA commodities used	3,276,718		3,276,718	
Effects of changes in operating assets and liabilities:				
Receivables		(147,107)	(147,107)	
Due from other funds				(2,736,692)
Non USDA inventories	(446,684)	15,223	(431,461)	
Accounts payable	52,789	86,648	139,437	(1,028,385)
Claims payable				1,498,375
Advance premium withholdings				2,716,889
Due to other funds	(4,763,963)	0	(4,763,963)	(1,415,937)
Unearned revenue	338,370	(154,906)	183,464	
Net OPEB obligation	527,273		527,273	
Compensated absences	123,294	75,252	198,546	
Net cash used by operating activities	<u>\$ (40,335,924)</u>	<u>\$ 100,843</u>	<u>\$ (40,235,081)</u>	<u>\$ (6,088,516)</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 104,574	\$ -	\$ 104,574	\$ -
USDA commodities received	(3,276,718)		(3,276,718)	

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 16,709,779
Investments:		
Global equities	724,166,622	
Fixed income securities	349,769,932	
Real estate	126,312,030	
Alternative investments	182,111,072	
Short-term investments	34,168,914	
Total investments	1,416,528,570	-
Accounts receivable	2,782,965	1,976,053
Due from Internal Service Fund	8,718,161	
Due from County Consolidated Retiree Health Benefits Trust	299,489,067	
Due from General Fund	958,840	
Inventories		134,501
Total assets	1,728,477,603	18,820,333
LIABILITIES		
Accounts payable	213,569	1,591,124
Claims payable	6,947,450	
Due to general fund	1,381,127	
Due to student groups		17,229,209
Total liabilities	8,542,146	\$ 18,820,333
NET POSITION		
Held in trust for pension/other postemployment benefits	\$ 1,719,935,457	

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 143,998,485
Members	57,079,615
Federal government - Medicare Part D	<u>15,815,704</u>
Total contributions	<u>216,893,804</u>
Investment earnings:	
Net increase in fair value of investments	(7,475,727)
Interest and dividends	<u>6,395,939</u>
Total investment earnings	<u>(1,079,788)</u>
Less investment expense:	
Investment fees and other	<u>(3,107,352)</u>
Total investment expense	<u>(3,107,352)</u>
Net investment earnings	<u>(4,187,140)</u>
Total additions	<u>212,706,664</u>
DEDUCTIONS	
Benefits paid to plan members	169,122,729
Premiums paid to insurance companies	15,536,282
Administrative expenses	<u>2,298,625</u>
Total deductions	<u>186,957,636</u>
Change in net position	25,749,028
Net position - beginning	<u>1,694,186,429</u>
Net position - ending	<u>\$ 1,719,935,457</u>

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

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BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1	Summary of Significant Accounting Policies
Note 2	Budgetary Information
Note 3	Deposits and Investments
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Note 5	Due from Employees
Note 6	Capital Assets
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BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education of Montgomery County (the Board) 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 the Board 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 the Board of Education of Montgomery County (the Board). 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, the Board is considered a component unit of the county government, as defined by GAAP for governmental entities.

The accompanying financial statements present the primary government, the Board, 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 the Board and because the Board 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 the Board.

The Foundation accepts grants and contributions from private organizations and individuals. All such funds received are used to enhance the Board educational programs and to provide student scholarships. Complete financial statements can be obtained from the Chief Financial Officer, Board of Education of Montgomery County, 45 Gude Drive, Suite 1200, Rockville, Maryland 20850.

b) Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Board 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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

The Board reports the following major governmental funds:

The general fund is the primary operating fund of the Board. 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.

The Board reports the following major proprietary fund:

The food services fund accounts for the operations of 204 cafeterias and the central production facility, providing for the preparation and sale of meals to students, other agencies, and customers.

Additionally, the Board 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 Employees' Retirement and Pension System that accumulates resources for pension benefit payments to qualified 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 of 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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Agency funds, which have no measurement focus, also use the accrual basis of accounting to recognize assets and liabilities.

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. The Board's primary sources of funding are intergovernmental revenues which are either unrestricted as to purpose of expenditure or are restricted to a specific purpose. Unrestricted funds are recorded as revenues at the time of receipt or earlier if they meet the availability criterion. Restricted funds are recognized as revenue when all eligibility requirements imposed by the provider have been met and the resources are available. Restricted funds received in excess of recorded expenditures are recorded as unearned revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for principal and interest on capital leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from capital leases are reported as other financing sources.

All governmental and business-type activities of the Board follow Governmental Accounting Standards Board (GASB) Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The sources of authoritative GAAP are categorized first by officially established accounting principles under GASB Statements and then by GASB Technical Bulletins, GASB Implementation Guides, and literature of the AICPA cleared by the GASB. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP, the Board then may consider nonauthoritative accounting literature from other sources. Sources of nonauthoritative accounting literature include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles.

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

d) Use of Estimates in Preparing Financial Statements

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

e) Cash and Investments

The Board 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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 Board policy, to deposit any funds in excess of current needs with a federally or state insured financial institution or in the Board Centralized Investment Fund. All such funds earn market rate interest and are available to schools on a demand basis.

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

f) Inventories and Prepaid Items

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

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

g) Capital Assets

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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

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

h) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has items that meet this criterion, changes in assumptions and contribution made to the pension plan in the 2016 fiscal year. In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meets the criterion, deferrals of pension expense that result from the implementation of GASB Statement 68.

i) Compensated Absences

Board employees are permitted to accumulate earned but unused annual and sick leave benefits. It is Board policy to pay employees who separate from service the accumulated amount of earned but unused annual leave and, for employees of all unions with at least five years credited service, one quarter of earned, accumulated sick leave. The amount of accumulated annual leave that may be paid is limited by each of the union agreements. Employees with thirty or more years credited service receive 30 percent of earned, accumulated sick leave. Members of the Montgomery County Education Association (MCEA) receive 35 percent only if they submit retirement or termination notice by April 1, for an effective date of July 1. Otherwise MCEA member will only receive 20 percent of their accumulated sick leave. All annual and sick leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only at the time of employee resignations and retirements.

j) Long-Term Obligations

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

k) Fund Balances

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid items.

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

Committed – Amounts that can be used only for specific purposes determined by formal action of the Board (the highest level of decision-making authority). Formal action of the Board would be those actions which are voted on at public Board meetings that are in compliance with Maryland law. Similar action of the Board is required to modify or rescind such commitments. Capital Projects Fund resources may only be used for construction projects specifically approved by the Montgomery County Council capital improvements program. These amounts cannot be used for any other purpose unless approved by the Montgomery County Council.

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

Unassigned – This classification is the residual amount of the general fund balance and represents all spendable amounts that have not been restricted, committed, or assigned to specific purposes. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for a specific purpose for which amounts had been restricted, committed, or assigned.

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

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

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

I) Governmental Accounting Standards Board (GASB) Pronouncements

The Board has adopted Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value are required to be used. Investments are generally required to be measured at fair value, although measurement at acquisition value is required for donated capital assets.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Disclosures, organized by type of asset or liability reported at fair value, are required about fair value measurements, the level of fair value hierarchy, and valuation techniques.

The Board has adopted Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The Board has adopted Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

The Board has adopted Statement No. 77, *Tax Abatement Disclosures*. This Statement reports on revenue restrictions from tax abatements. The pronouncement had no impact on the financial statements.

The Board has adopted Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The pronouncement had no impact on the financial statements.

The Board has adopted Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The pronouncement had no impact on the financial statements.

m) Pending Pronouncements

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

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

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*

This Statement amends the blending requirements for the financial statement presentation for certain component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 81, *Irrevocable Split-Interest Agreements.*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 82, *Pension issues – an amendment of GASB Statements No. 67, No. 68, and No. 72*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will become effective for the reporting period beginning after June 15, 2016. The Board is currently evaluating the effect of implementation of this Statement.

2. Budgetary Information

a) Overview

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

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

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

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

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

b) Budgetary Presentation

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

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

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

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,218,490,894	\$ 2,221,921,973	\$ -	\$ (3,431,079)
Reconciling items:	-	-	-	-
2016 Encumbrances outstanding	-	(3,615,674)	-	3,615,674
Increase in compensated absences	-	1,126,024	-	(1,126,024)
State of Maryland retirement contributions	154,512,816	154,512,816	-	-
Montgomery County OPEB contributions	61,733,000	61,733,000	-	-
Federal Medicare Part D contributions	15,815,704	15,815,704	-	-
Capital lease financing	-	16,066,816	16,066,816	-
As reported – GAAP basis	<u>\$ 2,450,552,414</u>	<u>\$ 2,467,560,659</u>	<u>\$ 16,066,816</u>	<u>\$ (941,429)</u>

Governmental funds encumbrances outstanding at June 30, 2016 include \$3,615,674 for the General Fund and \$227,244,268 for the Capital Projects Fund. Encumbrances are considered expenses for budgetary purposes, however are not considered liabilities or expenditures for GAAP purposes.

Beginning June 15 of each fiscal year, the Board issues purchase orders and begins shipment of

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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, 2016, \$ 1,571,140 of such purchase orders had been issued.

3. Deposits and Investments

Cash and investments at June 30, 2016 are summarized as follows:

	Primary Government	Component Unit
Equity in pooled cash and investments	\$ 43,391,009	\$ -
Cash and cash equivalents	6,952,834	345,349
Cash-fiduciary funds	16,709,779	-
Investments – cash equivalents	22,244,398	5,039,972
Investments-fiduciary funds	1,416,528,570	-
Total	\$ 1,505,826,590	\$ 5,385,321
Deposits and Investments Summary:		
Deposits	\$ 67,048,621	\$ 345,349
Investments	1,438,772,968	5,039,972
Cash on hand	5,001	-
Total	\$ 1,505,826,590	\$ 5,385,321

a) Deposits

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Board deposits may not be returned to it. The Annotated Code of Maryland requires that public funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2016, the reported balance of the Board's deposits was \$67,048,621 and the bank balance was \$69,437,945. The bank balance was covered either by federal depository insurance or by collateral held by the Board's agent in the Board's name.

b) Investments

Investments as of June 30, 2016, are as follows:

Investment Type	Fair Value
Pension Trust Investments:	
Global equities index funds	\$ 724,166,622
Fixed income securities	349,769,932
Real estate	126,312,030
Alternative investments	182,111,072
Short-term investments	34,168,914
Subtotal Pension Trust Investments	1,416,528,570
Other Investments:	
Mutual funds	22,244,398
Total investments	\$ 1,438,772,968

Interest rate risk. The Board manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolios. Internal pooled investments duration is limited to less than six months. The investment policy of the Centralized Investment Fund limits maturity to three years or less. The Pension Trust investment policy specifies that fixed-income portfolio duration should track the benchmark to the Barclays Intermediate Aggregate Bond

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Index. The OPEB Plan Trust investment policy requires that the weighted average duration of the portfolio not vary from the Barclays Intermediate Aggregate Bond Index by more than plus or minus 20 percent. During FY 2016, 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, 2016, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 10,483,005	6.86
Government mortgage-backed securities	7,971,497	2.16
Asset-backed securities	3,915,355	2.48
Commercial mortgage-backed securities	2,608,319	2.51
Collateralized mortgage obligations	1,337,913	2.96
Corporate bonds	11,533,967	7.02
Sovereign bonds	515,355	3.24
Blackrock US debt fund	158,445,512	3.95
SSgA US aggregated bond index	152,959,009	3.57
Short-term in nature	34,168,914	N/A
Total	\$ 383,938,846	

Credit risk. The Annotated Code of Maryland authorizes the Board 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, 2016, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	2.7 %	\$ 10,483,005
AAA	3.1	11,910,091
AA	0.5	1,836,740
A	1.0	3,995,811
BBB	2.6	9,912,671
BB	0.1	227,094
Not rated	90.0	345,573,434
Total	100.0 %	\$ 383,938,846

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

Other Board 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 FY 2016, 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, 2016, is as follows:

<u>Currency</u>	<u>Fixed Income</u>	<u>Alternative Investments</u>	<u>Total Fair Value</u>
European Currency Unit	\$ 13,916	\$ 9,622,260	\$ 9,636,176
Japanese Yen	518	-	518
Pound Sterling	290	-	290
Swiss Franc	1,321	-	1,321
Total	\$ <u>16,045</u>	\$ <u>9,622,260</u>	\$ <u>9,638,305</u>

Commitments. At June 30, 2016, unfunded commitments were \$22,844,572 in private equity fund and \$24,974,189 with private real estate fund.

Fair value measurement. The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

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The Board has the following recurring fair value measurements as of June 30, 2016:

	6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III
Investments by fair value level				
Short Term Investments				
Cash & Cash Equivalents	\$ 27,345,554	\$ 27,345,554	-	-
Total investments by fair value	\$ 27,345,554	\$ 27,345,554	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Global equities				
Commingled equity funds	724,166,622	-	-	-
Fixed Income Securities				
Commingled Bond funds	349,769,932	-	-	-
Real estate				
Private real estate funds	126,312,030	-	-	-
Alternative Investments				
Private Equity	67,846,287	-	-	-
Hedges Funds	114,264,785	-	-	-
Short Term Investments				
Cash & Cash Equivalents	6,823,360	-	-	-
Total investments measured at the NAV	1,389,183,016	\$ -	\$ -	\$ -
Total investments	\$ 1,416,528,570	\$ -	\$ -	\$ -

Short-term investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The investments are cash or cash equivalents in money market-type securities (U.S. Treasury Securities, Futures, cash, etc) reported at cost plus accrued interest, which approximates market or fair value.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities				
Commingled equity funds	\$ 724,166,622	\$ -	Daily or bimonthly	T+2, T+3 or T+5 settlement
Fixed Income Securities				
Commingled bond funds	349,769,932	-	Daily	T+2, T+3 or T+5 settlement
Real Estate				
Private real estate funds	126,312,030	24,974,189	Illiquid or Quarterly	60 days for quarterly redemption
Alternative Investments				
Private equity	67,846,287	22,844,572	Illiquid	Secondary sale after approval by general partner
Hedges funds	114,264,785	-		30-90 days
Short Term Investments				
Cash & cash equivalents (Overlay)	6,823,360	-	Daily	T-1
Total Investments Measured at the NAV	\$ 1,389,183,016			

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Commingled equity funds and bonds funds – the fair values of investment in these types have been determined using the NAV per share of the investments.

- The objective of the commingled equity funds is to provide exposure to economic growth and capture the equity risk premium. The portfolio consists of global stocks and shall be invested primarily in passively managed investment strategies to track the return of the MSCI All Country World Investable Market Index. Characteristics of the portfolio include:
 - Higher Expected Returns - Over the long-term, investments in equities (stocks) have delivered returns superior to those generated by fixed income.
 - Dividends - Dividends paid by the companies in the portfolio generate an additional source of cash used by the pension to pay obligations.
 - Volatility - Over the long-term, equity returns exhibit a wider range of outcomes, both positive and negative.
 - Liquidity - As with the Investment Grade Fixed Income market, the size and activity of the Global Equity markets allows the Trust to raise cash with relative ease.

- The objective of the commingled bond funds is to track the return of its primary benchmark with a low tracking error (the standard deviation of the difference between the returns of an investment portfolio and the underlying benchmark). It shall be invested primarily in passively-managed investment strategies to track the return of the Barclays Intermediate Aggregate Bond Index. Characteristics of the portfolio include:
 - Principal Protection - The amount invested by the pension is typically at a lower degree of risk relative to amounts invested in other types of assets.
 - Income - Bonds typically pay interest which provides cash income for the pension.
 - While bonds provide multiple benefits, the expected returns are generally not as high as those offered by other asset categories.
 - Liquidity - The market for investment grade bonds is generally large and active which allows the pension's investment managers to sell assets with relative ease if an unexpected need for cash arises.

Private real estate - the fair value of the investment in this type has been determined using the NAV per share of the investments. This type includes investment in limited partnerships. Private real estate is expected to provide the pension portfolio with a degree of inflation protection and to exhibit a low correlation to other investment strategies. Private real estate can also provide a steady source of income, which provides cash to the pension. The investment return of this portfolio is expected to be somewhere between the returns of the Investment Grade Fixed Income and Global Equity portfolios. It is expected to meet or exceed the NCREIF Fund Index - ODCE (Open-End Diversified Core Equity). About \$80.3 million of the portfolio can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. Rest of the portfolio is commingled funds with the quarterly redemption term and 60 days advance notice required.

Private Equity and Hedge funds — the fair value of the investment in this type has been determined using the NAV per share of the investments.

- Private equity fund managers invest money in companies whose shares are not publicly traded on a stock exchange, or in companies with publicly traded securities that the private equity firm intends to take private by acquiring all of the public securities. Private equity managers are active investors who typically play a dominant role in the operations of their portfolio companies. Private equity funds are illiquid and long-term in nature so investors expect to receive a return greater than those available in the public equity market. Private equity investments may have, however, a broader range of outcomes than public equities. The return on the total private equity allocation is expected to meet or exceed the Russell 3000 Index plus a 300 basis point premium net of fees with a one quarter lag.

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- Hedge funds invest across multiple assets and markets taking long and short positions. A long position is one in which the investor benefits if the price of the asset increases, and a short position is one in which the investor generates a return from asset price declines. A hedge fund can specialize in particular niches in the market including different geographies, security types (debt, equity, currencies, and derivatives), market directions, and macroeconomic catalysts. Most hedge fund managers focus on performing comprehensive research to identify securities they believe are mispriced. As a whole, the objective of the Trust's hedge fund portfolio is to achieve an equity-like return with reduced volatility and low correlation to the rest of the portfolio. The return on the total hedge fund allocation is expected to meet or exceed the HFRI Fund of Funds Composite Index. The redemption restriction for these investments range from monthly to annually with advance notice days ranged from 30 days to 60 days. One year lock up might be applied upon individual fund acquisition restriction. Early redemption fee might be applied upon each fund definition.

Overlay program in cash and cash equivalents funds invests the commingled future contracts across global equities and U.S. fixed income within the fixed program's target allocation. The fair value of the investment in this type has been determined using the NAV per share of the investments. The notification to the manager is required at least T-1 business days prior to adding or moving assets.

c) Cash on Hand

At year-end, the primary government had \$5,001 on hand in petty cash accounts.

4. Interfund Receivables and Payables

The composition of interfund receivables and payables as of June 30, 2016, is as follows:

Due to Fund	Due from Fund					Total
	General	Capital Projects	Nonmajor Government	Nonmajor Enterprise	Internal Service	
General	\$	\$	\$ 272,989	\$	\$ 2,736,692	\$ 3,009,681
Capital Projects	12,119,392			50,784		12,170,176
Food Services	2,643,606	851,042		196,464		3,691,112
Nonmajor Government		7,666				7,666
Nonmajor Enterprise		38,762				38,762
Total	\$14,762,998	\$ 897,470	\$ 272,989	\$ 247,248	\$ 2,736,692	\$ 18,917,397

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

5. Due From Employees

The \$151,019 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 the Board.

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6. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 81,179,460	\$ 6,513,600	\$ -	\$ 87,693,060
Construction in progress	<u>145,099,671</u>	<u>166,283,228</u>	<u>253,372,699</u>	<u>58,010,200</u>
Total nondepreciable capital assets	<u>226,279,131</u>	<u>172,796,828</u>	<u>253,372,699</u>	<u>145,703,260</u>
Depreciable capital assets:				
Buildings and improvements	3,051,631,881	219,688,487	3,052,635	3,268,267,733
Site improvements	313,733,878	36,032,457	-	349,766,335
Vehicles and equipment	<u>174,800,997</u>	<u>15,184,533</u>	<u>9,350,684</u>	<u>180,634,846</u>
Total depreciable capital assets	<u>3,540,166,756</u>	<u>270,905,477</u>	<u>12,403,319</u>	<u>3,798,668,914</u>
Less accumulated depreciation for:				
Buildings and improvements	1,015,558,123	76,431,503	2,737,626	1,089,252,000
Site improvements	66,978,317	6,130,428	-	73,108,745
Vehicles and equipment	<u>106,051,941</u>	<u>11,831,696</u>	<u>9,304,897</u>	<u>108,578,740</u>
Total accumulated depreciation	<u>1,188,588,381</u>	<u>94,393,627</u>	<u>12,042,523</u>	<u>1,270,939,485</u>
Total depreciable capital assets, net	<u>2,351,578,375</u>	<u>176,511,850</u>	<u>360,796</u>	<u>2,527,729,429</u>
Government activities capital assets, net	<u>\$ 2,577,857,506</u>	<u>\$ 349,308,678</u>	<u>\$ 253,733,495</u>	<u>\$ 2,673,432,689</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Depreciable capital assets:				
Vehicles and equipment	\$ <u>20,379,374</u>	\$ <u>131,138</u>	\$ <u>211,376</u>	\$ <u>20,299,136</u>
Total depreciable capital assets	<u>20,379,374</u>	<u>131,138</u>	<u>211,376</u>	<u>20,299,136</u>
Less accumulated depreciation for:				
Vehicles and equipment	<u>15,134,527</u>	<u>931,548</u>	<u>206,913</u>	<u>15,859,162</u>
Total accumulated depreciation	<u>15,134,527</u>	<u>931,548</u>	<u>206,913</u>	<u>15,859,162</u>
Business-type activities capital assets, net	<u>\$ 5,244,847</u>	<u>\$ (800,410)</u>	<u>\$ 4,463</u>	<u>\$ 4,439,974</u>

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

Governmental Activities:	
Regular instruction	\$ 76,599,062
Special education	140,239
School administration	89,526
Student transportation	9,444,054
Operation of plant	187,808
Maintenance of plant	7,332,019
Administration	600,919
Total depreciation expense-governmental activities	<u>\$ 94,393,627</u>
Business-Type Activities:	
Food services	\$ 906,174
Entrepreneurial	25,374
Total depreciation expense-business-type activities	<u>\$ 931,548</u>

Commitments for ongoing construction in progress at June 30, 2016 are \$227,244,268.

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7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2016 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 63,521,505	\$ 1,000,805	\$ 64,522,310
Retainage payable	7,650,158		7,650,158
Accrued salaries and withholdings	64,709,761		64,709,761
Claims payable	20,526,621		20,526,621
Due to employees-advance premium withholding	7,125,940		7,125,940
Total accounts payable and other current liabilities	<u>\$ 163,533,985</u>	<u>\$ 1,000,805</u>	<u>\$ 164,534,790</u>

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$8,417,244 in 2016. Commitments for fiscal year 2017 under lease agreements are approximately \$7,562,469. 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, the Board acquires school buses, vehicles, technology and other equipment under noncancelable capital leases that expire at various times through fiscal year 2021. Lease payments, including interest, in fiscal year 2016 were \$14,949,515 for the General Fund, \$14,360,799 for the Capital Projects Fund and \$607,495 for the Enterprise Funds.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 54,407,608	\$
Less: accumulated depreciation	(9,615,674)	
Total	<u>\$ 44,791,934</u>	<u>\$</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2017	\$ 24,457,892	\$ 222,692
2018	18,588,428	222,692
2019	9,509,918	179,935
2020	5,330,201	54,079
2021	2,458,062	-
Total minimum lease payments	60,344,501	679,398
Less : Amount representing interest	(2,191,937)	(24,051)
Present value of future minimum lease payments	<u>\$ 58,152,564</u>	<u>\$ 655,347</u>

\$34,012,622 of outstanding capital lease obligations for governmental activities at June 30, 2016, was used to acquire capital assets.

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9. Long-Term Liabilities

Long-term liability activities during 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 64,224,227	\$ 22,151,977	\$ 28,223,640	\$ 58,152,564	\$ 23,429,747
Compensated absences	134,903,492	13,849,044	9,802,013	138,950,523	9,806,914
Net pension liability	283,992,324	123,552,459	-	407,544,783	-
Net OPEB obligation	513,360,061	83,437,596	31,044,265	565,753,392	-
Total	\$ 996,480,104	\$ 242,991,076	\$ 69,069,918	\$ 1,170,401,262	\$ 33,236,661

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Capital leases	\$ 973,638	\$ 261,790	\$ 580,081	\$ 655,347	\$ 211,267
Compensated absences	2,534,594	260,615	62,069	2,733,140	62,069
Net OPEB obligation	7,447,549	964,871	437,598	7,974,822	-
Total	\$ 10,955,781	\$ 1,487,276	\$ 1,079,748	\$ 11,363,309	\$ 273,336

*Net activities

Net Pension Liability for the governmental activities are generally liquidated by the General Fund.

10. Risk Management

The Board 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. The Board participates in the Montgomery County Liability and Property Coverage Self-Insurance Program. Under this program, the Board 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, increasing to \$400,000 effective October 1, 2016. The Board's premium payments to the fund are an actuarially determined reflection of the covered risks. The Board 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). The Board funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 13). Claims payable of \$20,526,621 and \$6,947,450 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2016, 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.

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Changes in claims payable for fiscal years 2016 and 2015 are reflected below.

	<u>Beginning Payable</u>	<u>Incurred Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>Ending Payable</u>
2016				
Internal Service Fund	\$ 19,028,247	\$ 254,910,981	\$ (253,412,607)	\$ 20,526,621
Fiduciary Funds	<u>5,927,668</u>	<u>84,109,580</u>	<u>(83,089,798)</u>	<u>6,947,450</u>
Total	<u>\$ 24,955,915</u>	<u>\$ 339,020,561</u>	<u>\$ (336,502,405)</u>	<u>\$ 27,474,071</u>
2015				
Internal Service Fund	\$ 20,252,056	\$ 242,256,486	\$ (243,480,295)	\$ 19,028,247
Fiduciary Funds	<u>6,599,723</u>	<u>78,957,439</u>	<u>(79,629,494)</u>	<u>5,927,668</u>
Total	<u>\$ 26,851,779</u>	<u>\$ 321,213,925</u>	<u>\$ (323,109,789)</u>	<u>\$ 24,955,915</u>

11. Defined Benefit Pension Plans

Substantially all of the Board's 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 Board Employees' Retirement and Pension System, administered by the Board.

A. State Plans

General Information about the Plan

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

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

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable

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service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

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

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

Effective January 1, 1980, new teacher and administrative personnel became members of the Maryland State Teachers' Pension System. Members in the existing Maryland State Teachers' Retirement System had the option to transfer from the old to the new plan.

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

The State makes a substantial portion of the Board annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the Board. The State's contributions on behalf of the Board for the year ended June 30, 2016 was \$154,512,816. The fiscal year 2016 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and also included as revenues and expenses in the Statement of Activities.

Beginning in FY 2013, the State of Maryland General Assembly passed a bill that required the Boards of Education in Maryland to begin paying the normal cost for their teachers into the Teachers' Retirement and Pension Systems. The legislation structured this as a four year phase in to the full normal cost so that 50% was paid in FY 2013. Full normal cost will be paid in FY 2017 and each year thereafter. The Board required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2016 was \$50,761,802.

The Board contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2016, was 6.72% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2016 of \$589,809.

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

Employees' Retirement and Pension Systems

At June 30, 2016, the Board reported a liability of \$5,538,451 for its proportionate share of the net pension liability of the System, increased by \$1,464,387 from \$4,074,064 in FY15. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2015. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2015, the Board proportionate share was 0.0266506%.

For the year ended June 30, 2016, the Board recognized pension expense of \$727,564. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 981,185	\$ -
Net difference between projected and actual earnings on pension plan investments	153,372	
Difference between projected and actual experience		(113,423)
Board contributions subsequent to the measurement date	589,809	
Total	\$ 1,724,366	\$ (113,423)

The \$589,809 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
2017	\$		204,835
2018			204,835
2019			204,835
2020			274,188
2021			132,442
Thereafter			951,782

Teachers' Retirement and Pension Systems

At June 30, 2016, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the Board, therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

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State's proportionate share of the net pension liability associated with the Board	\$ 1,522,877,235
The Board's proportionate share of the net pension liability	-
Total	\$ 1,522,877,235

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportionate share of the net pension liability increased by \$406,998,134, from \$1,115,879,101 in FY15 to \$1,522,877,235 in FY16.

For the year ended June 30, 2016, the Board recognized pension expense of \$154,512,816 and revenue of \$154,512,816 for support provided by the State. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general, 3.45% wage
Salary increases	3.45% to 10.7%, including inflation
Investment rate of return	7.55%
Mortality rates	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

The economic and demographic actuarial assumptions used in the June 30, 2015 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY 2014. Certain assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.55% and inflation assumption of 2.7% were used in the June 30, 2015 valuation.

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

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The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Board's proportionate share of the net pension liability	\$7,827,751	\$5,538,451	\$3,640,165

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

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

B. The Board Plan

General Information about the Pension Plan

Plan Description. The Employees' Retirement and Pension System is funded and administered as a single plan with three separate benefit structures: the retirement system, the pension system, and the reformed pension system. The Retirement system covers 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. The Pension system covers 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. Effective July 1, 2011, The Board of Education adopted plan amendments to the core Pension System that generally mirror State of Maryland plan changes. This is called the reformed pension plan.

Benefits provided. The system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Retirement System and supplements the state benefits to members of the Maryland State Teachers' Retirement System. Benefits at retirement are based on years of service and the average earned

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compensation of an eligible employee during any three years (highest three consecutive years for pension system or highest five consecutive years for employees hired after June 30, 2011) that provide the highest average earned compensation, and are adjusted for changes in the consumer price index after retirement. Benefits at early retirement are reduced by an early retirement factor. Benefits vest after five years (ten years for employees hired after June 30, 2011) of creditable service. For employees hired after June 30, 2011, plan benefit changes were made, as follows:

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

At July 1, 2015 the date of the latest actuarial report, the Board's plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	12,719
Terminated plan members entitled to benefits but not yet receiving them	4,728
Active plan members	<u>22,423</u>
Total	<u>39,870</u>

Contributions. Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5 percent and 7.5 percent, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board of Education. Administrative costs are financed through investment earnings. The Board contribution rate as a percentage of annual covered payroll for FY 2016 was 5.01%.

Net Pension Liability

The Board net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. It was as follows:

Total pension liability	\$1,809,978,361
Plan fiduciary net position	<u>(1,407,372,029)</u>
Net pension liability	<u>\$ 402,006,332</u>
 Plan fiduciary net position as a percentage of the total pension liability	 77.8%

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

Valuation date	July 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method-Accounting	Plan changes are immediate, assets are over a 5 year closed period and liability changes are over the average working lifetime of all participants
Amortization method-Funding	Plan changes are on a 30 year closed amortization method and gain/losses, assumption and methods changes are on an open 15 year amortization
Asset valuation method-Accounting	Fair market value
Asset valuation method-Funding	5 year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Service and age based split between teachers and staff
Cost of living adjustments	1.95% - 3%
General inflation	2.75%
Retirement	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rate	Healthy lives: RP-2014 white collar mortality table with scale MP-2014 projection scales Disabled lives: 100% of published rate for RP-2000 disabled mortality table, projected to 2022 (sex distinct)

The actuarial assumption used in the June 30, 2015 valuation was based on the results of prior actuarial experience study completed as of June 30, 2014. It was first applicable for funding and accounting numbers using the 2015 valuation date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2015.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of return</u>
Fixed income	25%	4.7%
Equities	50%	8.4%
Real estate	8%	8.0%
Alternatives	17%	6.3%
Short-term investment	0%	3.0%

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

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Changes in the Net Pension Liability

	Increase (Decreases)		Net Pension Liability (a)-(b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at 6/30/2014	\$ 1,639,651,974	\$ 1,359,733,714	\$ 279,918,260
Changes for the year			
Service cost	53,269,208		53,269,208
Interest	123,895,167		123,895,167
Differences between expected and actual experience	(18,234,988)		(18,234,988)
Contributions - employer		83,498,517	(83,498,517)
Contributions - employee		22,486,721	(22,486,721)
Net Investment Income		26,441,619	(26,441,619)
Benefit payments, including refunds of employee contributions	(81,971,251)	(81,971,251)	
Administrative expense		(2,217,291)	2,217,291
Assumption changes	93,368,251		93,368,251
Net Changes	170,326,387	48,238,315	122,088,072
Balance as 6/30/2015	\$ 1,809,978,361	\$ 1,407,972,029	\$ 402,006,332

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

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$644,389,535	\$402,006,332	\$200,873,651

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2015 was 2.2%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

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

For the year ended June 30, 2016, the Board recognized pension expense of \$58,384,555. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience measurement date	\$ -	(\$55,256,113)
Net difference between projected and actual earnings on pension plan investments measurement date	61,084,630	(55,044,776)
Changes in assumptions	79,348,994	
Board contributions subsequent to the measurement date	74,861,085	
Total	\$ 215,294,709	(\$110,300,889)

\$74,861,085 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 4,287,015
2018	4,287,015
2019	4,287,015
2020	22,635,274
2021	7,364,117
Thereafter	(12,727,704)

12. Postemployment Healthcare Benefits

Plan Description. The OPEB Plan Trust is a single-employer defined benefit healthcare plan funded and administered by the Board. 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 Board Employee Benefit Plan for at least five years, (ten years for employees hired after July 1, 2011). Terminated employees are not eligible to participate in the plan. The OPEB Plan provides medical, dental, vision, prescription drug, and life insurance benefits for retirees and their dependents. Authority to establish and amend benefit provisions resides with the Board of Education.

Plan membership consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	12,164
Active plan members	21,947
Total	34,111

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 the Board. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and the Board contributes 64 percent toward the current cost of healthcare benefits. Effective for employees hired July 1, 2011 and for certain employees hired as of July 1, 2006, a tiered contribution structure is in effect, with the Board contribution levels of 40, 50, or 60 percent respectively based on years of service. During fiscal year 2016, plan members and beneficiaries receiving benefits contributed

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\$34,130,614 (approximately 28.7 percent of current contributions). The Board and other contributing entities' contributed \$84,953,103 (approximately 71.3 percent of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

Effective July 1, 2011, the Montgomery County Council created a consolidated OPEB Plan Trust that expanded the county OPEB Trust to include the Board employees. Beginning in fiscal year 2012, and for each fiscal year thereafter, the Board annual contribution toward funding amortization of the actuarial accrued liability (AAL) has been made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the Board OPEB Plan Trust. In FY 2016, the Montgomery County Council contributed \$61,733,000 and recorded as on behalf of the Board employees.

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, (AAL) was \$1,406.2 million and the unfunded AAL (UAAL) was \$1,164.5 million. Actuarial plan assets were \$241.7 million and the funded ratio was 17 percent. The annual covered payroll of active employees covered by the plan was \$1,390.9 million, and the ratio of the UAAL to covered payroll was 84 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 the Board are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

Annual OPEB Cost and Net OPEB Obligation. The Board's 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. The Board has agreed with the Montgomery County Council that the Board would transition to full funding of the ARC over a period of eight years. The following table shows the components of the Board' annual OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$ 130,295,000
Interest on net OPEB obligation	39,060,571
Adjustment to annual required Contribution	<u>(31,481,864)</u>
Annual OPEB cost	137,873,707
Contributions made	<u>84,953,103</u>
Increase in net OPEB obligation	52,920,604
Net OPEB obligation – beginning of year	<u>520,807,610</u>
Net OPEB obligation – end of year	<u>\$ 573,728,214</u>

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

Year ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2014	183,756,502	73.7	499,761,408
2015	127,766,477	83.5	520,807,610
2016	137,873,708	61.6	573,728,214

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Board 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 the Board 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, 2014
Actuarial cost method	Projected unit credit
Investment return	7.5%
Inflation rate	3.0%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	8.0%, 4.5%
Medical post-65	7.0%, 4.5%
Prescription drugs	8.5%, 4.5%
Dental	4.5%
Vision	3.5%
Amortization method	Level percentage of projected payroll Increasing 3% per year. Open basis
Remaining amortization period	30 years
Projected salary increases	3%
Mortality	Healthy lives, pre-decrement: 70% of published rates for RP-2000 white collar mortality table, projected to 2020 (sex distinct) Healthy lives, post-decrement: 100% of published rates for RP-2000 white collar mortality table, projected to 2020 (sex distinct) Disabled lives: 100% of published rates for RP-2000 disabled mortality table, projected to 2020 (sex distinct)

13. Trust Plans Condensed Financial Statements

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

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 1,416,528,570	\$ 311,949,033	\$ 1,728,477,603
Total assets	<u>1,416,528,570</u>	<u>311,949,033</u>	<u>1,728,477,603</u>
Liabilities:			
Total liabilities	<u>1,381,127</u>	<u>7,161,019</u>	<u>8,542,146</u>
Net Position:			
Held in trust for pension/ Other postemployment benefits	\$ <u>1,415,147,443</u>	\$ <u>304,788,014</u>	\$ <u>1,719,935,457</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 97,810,087	\$ 119,083,717	\$ 216,893,804
Net investment earnings	(3,391,963)	(795,177)	(4,187,140)
Total additions	94,418,124	118,288,540	212,706,664
Deductions:			
Benefit and premium payments	85,230,639	99,428,372	184,659,011
Administrative expenses	2,012,071	286,554	2,298,625
Total deductions	87,242,710	99,714,926	186,957,636
Change in net position	7,175,414	18,573,614	25,749,028
Net position - beginning	1,407,972,029	286,214,400	1,694,186,429
Net position - ending	\$ 1,415,147,443	\$ 304,788,014	\$ 1,719,935,457

14. Contingencies

Litigation. The Board, in the normal course of its operations, is subject to lawsuits and claims. While the outcome of these matters is uncertain, the Board 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 the Board financial condition. Additionally, it is the opinion of counsel that under current law, the Board would have governmental immunity in non-contractual matters for any individual judgments in excess of \$100,000, increasing to \$400,000 effective October 1, 2016, except for civil rights cases.

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

Federal Financial Assistance. The Board 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 the Board.

15. Name Change

The Board of Education of Montgomery County (the Board) is a body politic and corporate established by the Public School Laws of Maryland with the adoption of the Maryland Constitution in 1865. Since the legal name is the Board of Education of Montgomery County, the Comprehensive Annual Financial Report (CAFR) is recognizing the legal name of "Board of Education of Montgomery County" instead of "Montgomery County Public Schools" throughout the CAFR.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
 YEAR ENDED JUNE 30, 2016

Measurement Date	2015	2014
Total pension Liability		
Service Cost	53,269,208	53,238,295
Interest	123,895,167	120,371,102
Benefit Changes		
Different between Actual & Expected if any	(18,234,988)	(47,593,419)
Assumption Changes	93,368,251	
Benefit Payments	(81,971,251)	(76,147,472)
Refund		
Net Change in Total Pension Liability	<u>170,326,387</u>	<u>49,868,506</u>
Total Pension Liability -Beginning	1,639,651,974	1,589,783,468
Total Pension Liability -Ending (a)	<u>\$ 1,809,978,361</u>	<u>\$ 1,639,651,974</u>
Plan Fiduciary Net Position		
Contribution -Employer	83,498,517	80,544,815
Contribution -Employee	22,486,721	21,578,300
Net Investment Income	26,441,619	179,375,231
Benefit Payments	(81,971,251)	(76,147,472)
Refund		
Admin Expense	(2,217,291)	(2,163,665)
Other		
Net change in Plan Fiduciary Net Position	<u>48,238,316</u>	<u>203,187,209</u>
Plan Fiduciary Net Position -beginning	1,359,733,714	1,156,546,505
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,407,972,029</u>	<u>\$ 1,359,733,714</u>
Net Pension on Liability -Ending (a-b)	402,006,332	279,918,260
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.8%	82.9%
Covered Employee Payroll	\$ 1,429,764,138	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Employee Payroll	28.12%	20.13%
Notes to Schedule		

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE EMPLOYER'S NET PENSION LIABILITY
 YEAR ENDED JUNE 30, 2016

Measurement Date

FY Ending	Total Pension	Plan Net	Net Pension	Plan Net Postion as a % of Total pension Liability	Covered	Net Pension Liability as a % of
30-Jun	Liability	Position	Liability	Liability	Payroll	Covered Payroll
2014	1,639,651,974	1,359,733,714	279,918,260	82.93%	1,390,868,330	20.13%
2015	1,809,978,361	1,407,972,029	402,006,332	77.79%	1,429,764,138	28.12%

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2016

Measurement Date					Actual Contribution as	
FY Ending	Actuarially Determined		Actual	Contribution Deficiency		a % of
30-Jun	Contribution		Contribution	(Excess)	Covered Payroll	Covered Payroll
2014	\$ 79,016,414	\$	80,544,815	\$ (1,528,401)	\$ 1,390,868,330	5.79%
2015	\$ 44,295,412	\$	83,498,517	\$ (39,203,105)	\$ 1,429,764,138	5.84%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Measurement date	30-Jun
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll open amortization method over 15 years with plan changes closed over 30 years
Asset valuation method	5 year smoothing
Investment rate of return	7.50%
Projected Salary increases	Service and age split between teachers and staff
Cost of living adjustments	1.95% - 3%
Inflation	2.75%
Retirement age	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rates	Healthy lives: RP-2014 white collar mortality table with scale MP-2014 projection scales Disabled lives: 100% of published rates for RP2000 disabled mortality table, sex distinct, projected to the year 2022

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 YEAR ENDED JUNE 30, 2016

Fiscal year ending June 30	Measurement Date		
	2015	2014	2013
Actual money weighted rate of return, net of investment expense	2.20%	15.75%	12.95%

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2016

<u>Employees' Retirement and Pension Systems</u>	Measurement Date 2015	Measurement Date 2014
District's proportion of the net pension liability (asset)	0.02665060000000000000%	0.0229567012237460000000%
District's proportionate share of the net pension liability (asset)	\$ 5,538,451	\$ 4,074,064
District's covered-employee payroll	1,429,764,138	1,390,868,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.39%	0.29%
Plan fiduciary net position as of a percentage of the total pension liability	68.78%	71.87%
<u>Teachers' Retirement and Pension Systems</u>		
District's proportion of the net pension liability (asset)	0.02665060000000000000%	0.0229567012237460000000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	1,522,877,235	1,115,879,101
Total	<u>\$ 1,522,877,235</u>	<u>\$ 1,115,879,101</u>
District's covered-employee payroll	\$ 1,429,764,138	\$ 1,390,868,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	106.51%	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	68.78%	71.87%

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT CONTRIBUTION
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2016

<u>Employees' Retirement and Pension Systems</u>	Measurement Date									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ (53,113)	\$ 397,990	\$ 509,499	\$ 485,237	\$ 462,130	\$ 440,124	\$ 419,166	\$ 399,206	\$ 380,196	\$ 362,091
Contributions in relation to the contractually required contribution	561,723	534,974	509,499	485,237	462,130	440,124	419,166	399,206	380,196	362,091
Contribution deficiency (excess)	(614,836)	(136,984)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,429,764,138	\$ 1,390,868,330	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092	\$ 1,327,592,509	\$ 1,215,302,201	\$ 1,169,275,532
Contributions as a percentage of covered employee payroll	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%
 <u>Teachers' Retirement and Pension Systems</u>										
Contractually required contribution	\$ 156,997,295	\$ 148,989,559	\$ 131,705,430	\$ 173,954,985	\$ 169,926,025	\$ 149,981,157	\$ 124,897,387	\$ 115,507,019	\$ 91,640,319	\$ 84,294,349
Contributions in relation to the contractually required contribution	156,997,295	148,989,559	131,705,430	173,954,985	169,926,025	149,981,157	124,897,387	115,507,019	91,640,319	84,294,349
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,429,764,138	\$ 1,390,868,330	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092	\$ 1,327,592,509	\$ 1,215,302,201	\$ 1,169,275,532
Contributions as a percentage of covered employee payroll	10.98%	10.71%	9.70%	12.96%	13.01%	11.14%	9.24%	8.70%	7.54%	7.21%

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

OPEB PLAN TRUST

Schedule of Funding Progress
 (000'S omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/2007	\$ -	\$ 1,299,106	\$ 1,299,106	0.0%	\$ 1,215,302	106.9%
7/01/2008	16,662	1,256,907	1,240,245	1.3	1,327,593	93.4
7/01/2010	33,156	1,568,612	1,535,456	2.1	1,346,387	114.0
7/01/2012	71,693	1,809,882	1,738,189	4.0	1,342,294	129.5
7/01/2013	138,518	1,265,790	1,127,272	10.9	1,358,291	83.0
7/01/2014	241,661	1,406,200	1,164,539	17.2	1,390,868	83.7

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

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation (Assets)
		MCPS	Other Contributing Entities	
2009	\$ 122,819	48.0%	2.1%	\$ 128,599
2010	131,690	30.6	3.5	217,751
2011	131,690	33.7	3.4	304,556
2012	161,224	30.8	14.9	396,719
2013	161,224	32.0	37.7	451,524
2014	177,186	28.3	48.2	499,761
2015	120,494	11.7	72.4	520,808
2016	130,295	5.7	52.9	573,728

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SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2016

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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 510,453,947	\$ 510,564,953	\$ 182,390,183	\$ (328,174,770)
State of Maryland	52,028,713	59,396,358	45,322,042	(14,074,316)
Federal	85,457	2,258,951	2,173,494	(85,457)
Other sources	4,014,652	4,060,062	1,582,493	(2,477,569)
Total revenues	566,582,769	576,280,324	231,468,212	(344,812,112)
Expenditures and encumbrances:				
Capital outlay	566,582,769	576,280,324	231,468,212	344,812,112
Total expenditures and encumbrances	566,582,769	576,280,324	231,468,212	344,812,112
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -
Reconciliation to GAAP fund balance:				
2016 encumbrances outstanding			-	
Fund balance - GAAP basis			\$ -	

BOARD OF EDUCATION OF MONTGOMERY COUNTY
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2016

Award	Project Name	Project Authorization	Expended to Jun 30, 2016	Committed	Available for Future Expenditure
000000	Unliquidated Surplus for Local Funds	\$ 1,352,600	\$ -	\$ -	1,352,600
006503	Water and Indoor Air Quality Improvements Local Funding	1,990,118	467,000	209,591	1,313,527
016532	Fire Safety Code Upgrades Local Funding	959,746	569,334	66,426	323,986
036510	Technology Modernization Local Funding	17,452,294	-	1,238,268	16,214,026
056501	Restroom Renovations Local Funding	290,823	255,066	-	35,757
056504	Fields Road Elementary School Addition	9,257,200	9,257,200	-	-
076506	Building Modifications and Program Improvements	5,035,349	734,038	1,042,867	3,258,444
096501	Fairland Elementary School Local Funding	636,629	636,629	68	(68)
096505	Montgomery Knolls Elementary School Local	7,164	7,164	-	-
106500	County Water Quality Compliance	3,100	-	-	3,100
116503	Bradley Hills Elementary School Addition 2013	17,949,000	17,944,148	-	4,852
116504	Clarksburg Cluster ES (Clarksburg Village Site #1)	26,418,000	26,319,889	7,221	90,890
116505	Clarksburg High School Local Funding	11,823,000	7,326,589	454,252	4,042,159
116506	Clarksburg/Damascus Middle School (New)	52,764,000	42,549,829	4,726,238	5,487,933
116507	Darnestown Elementary School Addition 2013	15,400,000	15,329,463	6,676	63,861
116508	Georgian Forest Elementary School Addition 2013	10,620,000	10,482,689	54	137,257
116510	Viers Mill Elementary School Addition 2013	11,177,000	11,132,865	17,745	26,390
116511	Waters Landing ES Addition 2014	8,827,000	8,769,218	14,137	43,645
116512	Westbrook ES Addition	11,805,000	11,805,000	-	-
116513	Wyngate Elementary School Addition 2013	10,230,000	9,999,563	5,437	225,000
126500	WSSC Compliance 2012	32,330	-	21,850	10,480
136500	Arcola Elementary School Local Funding	3,841,000	3,454,185	71,431	315,384
136501	Bethesda Elementary School Local Funding	3,970,000	3,869,788	3,170	97,042
136502	Bethesda-Chevy Chase Middle School #2 2017	52,414,000	14,616,689	36,289,783	1,507,528
136504	North Chevy Chase Elementary School Local Funding	6,820,000	5,983,698	30,760	805,542
136505	Northwest Elementary School #8 (New) 2018	2,979,000	-	8,500	2,970,500
136506	Rosemary Hills Elementary School Local Funding	5,708,000	5,640,241	14,364	53,395
136507	Julius West Middle School Addition 2016	15,303,000	13,496,566	1,395,651	410,783
136508	Wood Acres Elementary School Addition 2016	8,606,000	8,235,845	26,286	343,869
136510	Modifications to Holding, Special Education & Alternative Schools Local	207,498	-	30,517	176,981
546034	Land Acquisition Local Funding	1,324,453	-	-	1,324,453
651503	North Bethesda MS Addition 2018	1,691,000	721,856	452,692	516,452
651504	Lucy V Barnsley ES Addition 2018	1,156,000	619,031	163,811	373,158
651505	Kensington-Parkwood ES Addition 2018	998,000	505,687	312,995	179,318
651510	Diamond Elementary School Addition 2018	804,000	498,385	101,525	204,090
651513	Bethesda-Chevy Chase HS Addition 2018	2,808,000	1,550,243	314,610	943,147
651515	Blair Ewing Center Improvements 2018	1,512,000	-	-	1,512,000
746032	Design and Construction Management Local Funding	1,598,766	-	33,962	1,564,804
766995	Roof Replacement	18,304,751	6,414,372	4,892,073	6,998,306
796222	Energy Conservation	2,687,083	450,000	1,332,821	904,262
796235	ADA Compliance Local Funding	11,011,823	82,954	578,396	10,350,473
816633	HVAC Replacement	58,116,917	39,283,641	9,050,716	9,782,560
816695	Asbestos Abatement Local Funding	172,996	-	3,278	169,718
846540	Relocatable Classrooms Local Funding	4,573,877	-	1,578,969	2,994,908
876544	Stadium Lighting	350,872	-	-	350,872
886550	School Gymnasiums Local Funding	4,896,234	4,895,234	-	1,000
896586	Planned Life Cycle Asset Replacement	8,991,826	6,130,784	1,596,043	1,264,999
916587	Rehab/Renovation of Closed Schools Local Funding	24,803,275	22,180,855	443,154	2,179,266
926557	School Security Systems	157,164	-	10,276	146,888
926575	Current Replacements/Modernizations	574,151,901	391,000,884	158,407,295	24,743,722
956547	Educational Technology (Global Access)	12	-	-	12
956550	Stormwater Management	649,060	416,507	69,973	162,580
966553	Facility Planning Local Funding	1,007,973	-	552,559	455,414
975051	Improved (Safe) Access to Schools Local Funding	3,577,448	1,198,879	1,658,237	720,332
996552	Current Modernizations-Walter Johnson HS Turf Contribution	335,000	330,088	-	4,912
996562	Carderock Springs ES Educational Foundation	154,648	154,648	-	-
096508	Whetstone Elementary School Local Funding	191,800	182,209	9,591	-
651501	Sargent Shriver ES Addition 2019	341,000	-	-	341,000
651506	Kemp Mill ES Addition 2019	774,000	-	-	774,000
651508	Highland ES Addition 2019	713,000	-	-	713,000
651509	Glen Haven ES Addition 2019	367,000	-	-	367,000
651512	Brookhaven ES Addition 2019	481,000	-	-	481,000
651641	Shady Grove Transportation Depot Replacement	2,425,000	-	-	2,425,000
Total Open & Interim Projects		\$ 1,045,006,730	\$ 705,498,953	\$ 227,244,268	\$ 112,263,509

Capitalized land, equipment and furniture, and items not capitalized

(18,397,465) (18,397,465)

Interim closing of open projects **

(629,091,288) (629,091,288)

Residual building value transfer ***

Total construction in progress

\$ 397,517,977 \$ 58,010,200 \$ 227,244,268 \$ 112,263,509

* 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, 2016

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
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, 2016

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,654,209	\$ 1,654,209	\$ 1,654,209	\$ -
Total revenues	-	1,654,209	1,654,209	1,654,209	-
Expenditures and encumbrances:					
Community services	132	1,654,341	\$ 1,654,341	1,654,578	(237)
Total expenditures and encumbrances	132	1,654,341	1,654,341	1,654,578	(237)
Excess of expenditures and encumbrances over revenues	(132)	(132)	(132)	(369.14)	(237)
Fund balance - beginning	132	132	132	265,417	265,285.39
Fund balance - ending	\$ -	\$ -	\$ -	\$ 265,048	\$ 265,048
Reconciliation to GAAP fund balance: 2016 encumbrances outstanding				238	
Fund balance - GAAP basis				\$ 265,286	

NONMAJOR ENTERPRISE FUNDS

June 30, 2016

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 Board expertise, services and products.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2016

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 612,495	\$ 436,129	\$ 181,441	\$ 1,230,065
Accounts receivable	345,400	61,548	17,787	424,735
Due from other funds	22,374	30,657	194,217	247,248
Inventories			3,270	3,270
Total current assets	<u>980,269</u>	<u>528,334</u>	<u>396,715</u>	<u>1,905,318</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment			88,810	88,810
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>88,810</u>	<u>88,810</u>
Total assets	<u>980,269</u>	<u>528,334</u>	<u>485,525</u>	<u>1,994,128</u>
Liabilities				
Current liabilities:				
Accounts payable	221,892		22,013	243,905
Due to other funds			38,762	38,762
Unearned revenue			272,311	272,311
Capital leases - current	-		26,064	26,064
Total current liabilities	<u>221,892</u>	<u>-</u>	<u>359,150</u>	<u>581,042</u>
Noncurrent liabilities:				
Capital leases payable			53,564	53,564
Compensated absences	71,148	105,634	228,562	405,344
Total noncurrent liabilities	<u>71,148</u>	<u>105,634</u>	<u>282,126</u>	<u>458,908</u>
Total liabilities	<u>293,040</u>	<u>105,634</u>	<u>641,276</u>	<u>1,039,950</u>
Net Position				
Net investment in capital assets	-		88,810	88,810
Unrestricted	687,229	422,700	(244,561)	865,368
Total net position	<u>\$ 687,229</u>	<u>\$ 422,700</u>	<u>\$ (155,751)</u>	<u>\$ 954,178</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 3,536,447	\$ 2,184,988	\$ 2,226,617	\$ 7,948,052
Total operating revenues	<u>3,536,447</u>	<u>2,184,988</u>	<u>2,226,617</u>	<u>7,948,052</u>
Operating expenses:				
Salaries and wages	518,523	1,274,873	1,201,873	2,995,269
Contracted services	113,134	47,292	572,090	732,516
Supplies and materials	30,491	493,430	427,793	951,714
Other charges	2,589,216	175,861	277,743	3,042,820
Depreciation			25,374	25,374
Total operating expenses	<u>3,251,364</u>	<u>1,991,456</u>	<u>2,504,873</u>	<u>7,747,693</u>
Operating income (loss)	<u>285,083</u>	<u>193,532</u>	<u>(278,256)</u>	<u>200,359</u>
Change in net position	285,083	193,532	(278,256)	200,359
Total net position - beginning	402,146	229,168	122,505	753,819
Total net position - ending	<u>\$ 687,229</u>	<u>\$ 422,700</u>	<u>\$ (155,751)</u>	<u>\$ 954,178</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,413,878	\$ 2,172,541	\$ 2,059,620	\$ 7,646,039
Payments to suppliers	(57,018)	(540,722)	(984,619)	(1,582,359)
Payments to employees	(548,909)	(1,360,607)	(1,234,410)	(3,143,926)
Payments for assessments made by other funds	(155,621)	(83,404)	(187,090)	(426,115)
Payments for other operating expenses	(2,392,796)			(2,392,796)
Net cash provided (used) by operating activities	<u>259,534</u>	<u>187,808</u>	<u>(346,499)</u>	<u>100,843</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases				-
Purchases of capital assets				-
Principal paid on capital leases	(319,139)		(25,597)	(344,736)
Net cash provided (used) by capital and related financing activities	<u>(319,139)</u>		<u>(25,597)</u>	<u>(344,736)</u>
Increase (Decrease) in cash and cash equivalents	(59,605)	187,808	(372,096)	(243,893)
Cash and cash equivalents - beginning	672,100	248,321	553,537	1,473,958
Cash and cash equivalents - ending	<u>\$ 612,495</u>	<u>\$ 436,129</u>	<u>\$ 181,441</u>	<u>\$ 1,230,065</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 285,083	\$ 193,532	\$ (278,256)	\$ 200,359
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation			25,374	25,374
Effects of changes in operating assets and liabilities:				
Receivables	(122,569)	(12,447)	(12,091)	(147,107)
Inventories			15,223	15,223
Accounts payable	86,607		41	86,648
Due to other funds			0	0
Unearned revenue			(154,906)	(154,906)
Compensated absences	10,413	6,723	58,116	75,252
Net cash provided (used) by operating activities	<u>\$ 259,534</u>	<u>\$ 187,808</u>	<u>\$ (346,499)</u>	<u>\$ 100,843</u>

FIDUCIARY FUNDS

June 30, 2016

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 Board employees.

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 JUNE 30, 2016

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Global equities	\$ 724,166,622	\$ -	\$ 724,166,622
Fixed income securities	349,769,932		349,769,932
Real estate	126,312,030		126,312,030
Alternative investments	182,111,072		182,111,072
Short-term investments	34,168,914		34,168,914
Total investments	1,416,528,570	-	1,416,528,570
Accounts receivable		2,782,965	2,782,965
Due from County Consolidated Retiree Health Benefits Trust		299,489,067	299,489,067
Due from Internal Service Fund		8,718,161	8,718,161
Due from General Fund		958,840	958,840
Total assets	1,416,528,570	311,949,033	1,728,477,603
LIABILITIES			
Accounts payable		213,569	213,569
Claims payable		6,947,450	6,947,450
Due to general fund	1,381,127	-	1,381,127
Total liabilities	1,381,127	7,161,019	8,542,146
NET POSITION			
Held in trust for pension/other postemployment benefits	\$ 1,415,147,443	\$ 304,788,014	\$ 1,719,935,457

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 74,861,086	\$ 69,137,399	\$ 143,998,485
Members	22,949,001	34,130,614	57,079,615
Federal government - Medicare Part D		15,815,704	15,815,704
	<u>97,810,087</u>	<u>119,083,717</u>	<u>216,893,804</u>
Total contributions			
Investment earnings:			
Net increase in fair value of investments	(7,475,727)		(7,475,727)
Interest and dividends	7,191,116	(795,177)	6,395,939
Total investment income	<u>(284,611)</u>	<u>(795,177)</u>	<u>(1,079,788)</u>
Less investment expense:			
Investment fees and other	(3,107,352)	-	(3,107,352)
Total investment expense	<u>(3,107,352)</u>	<u>-</u>	<u>(3,107,352)</u>
Net investment earnings	<u>(3,391,963)</u>	<u>(795,177)</u>	<u>(4,187,140)</u>
Total additions	<u>94,418,124</u>	<u>118,288,540</u>	<u>212,706,664</u>
DEDUCTIONS			
Benefits paid to plan members	85,230,639	83,892,090	169,122,729
Premiums paid to insurance companies		15,536,282	15,536,282
Administrative expenses	2,012,071	286,554	2,298,625
	<u>87,242,710</u>	<u>99,714,926</u>	<u>186,957,636</u>
Total deductions			
Change in net assets	7,175,414	18,573,614	25,749,028
Net position - beginning	<u>1,407,972,029</u>	<u>286,214,400</u>	<u>1,694,186,429</u>
Net position - ending	<u>\$ 1,415,147,443</u>	<u>\$ 304,788,014</u>	<u>\$ 1,719,935,457</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and investments	\$ 16,274,129	\$ 33,881,464	\$ 33,445,814	\$ 16,709,779
Accounts receivable	2,232,183	1,976,053	2,232,183	1,976,053
Inventories	<u>132,025</u>	<u>134,501</u>	<u>132,025</u>	<u>134,501</u>
Total assets	<u>\$ 18,638,337</u>	<u>\$ 35,992,018</u>	<u>\$ 35,810,022</u>	<u>\$ 18,820,333</u>
Liabilities				
Accounts payable	\$ 1,555,773	\$ 1,591,124	\$ 1,555,773	\$ 1,591,124
Due to student groups	<u>17,082,564</u>	<u>34,400,894</u>	<u>34,254,249</u>	<u>17,229,209</u>
Total liabilities	<u>\$ 18,638,337</u>	<u>\$ 35,992,018</u>	<u>\$ 35,810,022</u>	<u>\$ 18,820,333</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how the Board's financial performance and well-being have changed over time.	99-107
Revenue Capacity Since Board 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.	108-114
Debt Capacity Since Board 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.	115-119
Demographic and Economic Information Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which the Board's financial activities take place.	120-121
Operating Information These schedules contain select operating indicators to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.	123-125

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities:					
Net Investment in capital assets	\$ 1,635,087,567	\$ 1,765,406,793	\$ 1,901,060,879	\$ 1,972,419,863	\$ 2,073,974,398
Unrestricted	(85,448,126)	(151,573,901)	(202,703,251)	(303,827,808)	(367,057,361)
Total governmental activities net position	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>	<u>\$ 1,698,357,628</u>	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>
Business-type activities:					
Net Investment in capital assets	\$ 5,215,924	\$ 5,019,355	\$ 4,231,936	\$ 3,951,552	\$ 3,759,753
Unrestricted	(3,628,772)	(5,207,535)	(6,415,787)	(7,848,406)	(7,483,923)
Total business-type activities net position	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>	<u>\$ (2,183,851)</u>	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>
Primary government:					
Net Investment in capital assets	\$ 1,640,303,491	\$ 1,770,426,148	\$ 1,905,292,815	\$ 1,976,371,415	\$ 2,077,734,151
Unrestricted	(89,076,898)	(156,781,436)	(209,119,038)	(311,676,214)	(374,541,284)
Total primary government net position	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</u>	<u>\$ 1,696,173,777</u>	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>
<hr/>					
	2012	2013	2014	2015	2016
Governmental Activities:					
Net Investment in capital assets	\$ 2,234,805,426	\$ 2,377,418,879	\$ 2,467,557,443	\$ 2,545,451,592	\$ 2,639,420,067
Unrestricted	(446,600,594)	(487,587,959)	(574,669,171)	(961,916,071)	(999,244,078)
Total governmental activities net position	<u>\$ 1,788,204,832</u>	<u>\$ 1,889,830,920</u>	<u>\$ 1,892,888,272</u>	<u>\$ 1,583,535,521</u>	<u>\$ 1,640,175,989</u>
Business-type activities:					
Net Investment in capital assets	\$ 3,570,524	\$ 3,105,386	\$ 4,936,206	\$ 5,195,791	\$ 4,439,974
Unrestricted	(6,792,149)	(7,068,728)	(7,848,538)	(7,337,109)	(5,288,323)
Total business-type activities net position	<u>\$ (3,221,625)</u>	<u>\$ (3,963,342)</u>	<u>\$ (2,912,332)</u>	<u>\$ (2,141,318)</u>	<u>\$ (848,349)</u>
Primary government:					
Net Investment in capital assets	\$ 2,238,375,950	\$ 2,380,524,265	\$ 2,472,493,649	\$ 2,550,647,383	\$ 2,643,860,041
Unrestricted	(453,392,743)	(494,656,687)	(582,517,709)	(969,253,180)	(1,004,532,401)
Total primary government net position	<u>\$ 1,784,983,207</u>	<u>\$ 1,885,867,578</u>	<u>\$ 1,889,975,940</u>	<u>\$ 1,581,394,203</u>	<u>\$ 1,639,327,640</u>

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

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

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,160,855,790	\$ 1,300,214,158	\$ 1,344,807,372	\$ 1,382,022,729
Special education	293,576,065	337,981,003	357,740,728	382,151,880
School administration	160,163,136	183,915,725	192,005,481	195,915,953
Student personnel services	13,944,662	15,923,429	16,709,007	16,590,455
Health services	53,540	39,372	31,477	40,091
Total instruction	<u>1,628,593,193</u>	<u>1,838,073,687</u>	<u>1,911,294,065</u>	<u>1,976,721,108</u>
Support services:				
Student transportation	100,930,995	117,962,721	122,633,059	125,139,197
Operation of plant	130,303,214	144,731,021	145,189,882	153,349,143
Maintenance of plant	55,832,785	56,469,713	57,587,517	59,180,621
Administration	63,053,976	59,171,446	63,094,864	60,891,077
Community services	2,176,910	2,470,942	2,168,062	2,291,223
Interest on capital leases	1,742,075	1,970,020	2,040,350	1,750,321
Total support services	<u>354,039,955</u>	<u>382,775,863</u>	<u>392,713,734</u>	<u>402,601,582</u>
Total government activities expenses	<u>1,982,633,148</u>	<u>2,220,849,550</u>	<u>2,304,007,799</u>	<u>2,379,322,690</u>
Business-type activities				
Food services	42,161,738	46,125,487	46,457,265	45,687,584
Adult education	(48,642)	-	-	-
Real estate management	2,926,351	2,290,554	2,489,426	2,591,862
Field trips	1,629,297	1,792,660	1,772,511	1,697,423
Entrepreneurial activities	1,376,930	1,619,087	1,444,433	2,001,442
Total business-type activities expenses	<u>48,045,674</u>	<u>51,827,788</u>	<u>52,163,635</u>	<u>51,978,311</u>
Total primary government expenses	<u>\$ 2,030,678,822</u>	<u>\$ 2,272,677,338</u>	<u>\$ 2,356,171,434</u>	<u>\$ 2,431,301,001</u>
Program Revenues				
Governmental activities				
Charges for services	5,249,818	5,332,403	5,033,518	4,616,997
Operating grants and contributions	83,451,485	84,349,531	77,829,710	126,099,052
Capital grants and contributions	52,273,814	48,116,266	48,858,868	44,257,276
Total governmental activities program revenues	<u>140,975,117</u>	<u>137,798,200</u>	<u>131,722,096</u>	<u>174,973,325</u>
Business-type activities				
Charges for services:				
Food services	22,008,945	22,219,798	22,191,730	18,621,337
Adult education	-	-	-	-
Real estate management	2,625,031	2,765,022	2,397,720	2,667,604
Field trips	1,543,101	1,722,208	1,578,741	1,543,871
Entrepreneurial activities	1,436,778	1,866,786	1,872,573	1,849,158
Operating grants and contributions	18,798,444	19,955,950	21,564,749	24,871,047
Capital grants and contributions	655,145	927,082	405,452	641,790
Total business-type activities program revenues	<u>47,067,444</u>	<u>49,456,846</u>	<u>50,010,965</u>	<u>50,194,807</u>
Total primary government program revenues	<u>\$ 188,042,561</u>	<u>\$ 187,255,046</u>	<u>\$ 181,733,061</u>	<u>\$ 225,168,132</u>
Net (expense)/revenue				
Governmental activities	(1,841,658,031)	(2,083,051,350)	(2,172,285,703)	(2,204,349,365)
Business-type activities	(978,230)	(2,370,942)	(2,152,670)	(1,783,504)
	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,507,402,033	\$ 1,631,686,296	\$ 1,656,384,034	\$ 1,550,665,251
State of Maryland	468,650,022	510,142,429	597,009,068	616,478,426
Federal government	539,841	4,015,914	2,728,591	6,454,228
Investment Earnings	929,696	1,378,734	684,245	985,888
Transfers	127,762	21,428	4,501	-
Total government activities	<u>1,977,649,354</u>	<u>2,147,244,801</u>	<u>2,256,810,439</u>	<u>2,174,583,793</u>
Business-type activities				
Investment Earnings	995,628	617,038	161,500	70,501
Transfers	(127,762)	(21,428)	(4,501)	-
Total business-type activities	<u>867,866</u>	<u>595,610</u>	<u>156,999</u>	<u>70,501</u>
Total primary government	<u>\$ 1,978,517,220</u>	<u>\$ 2,147,840,411</u>	<u>\$ 2,256,967,438</u>	<u>\$ 2,174,654,294</u>
Change in Net Position				
Governmental activities	135,991,323	64,193,451	84,524,736	(29,765,572)
Business-type activities	(110,364)	(1,775,332)	(1,995,671)	(1,713,003)
Total primary government	<u>\$ 135,880,959</u>	<u>\$ 62,418,119</u>	<u>\$ 82,529,065</u>	<u>\$ (31,478,575)</u>

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

	2011	2012	2013	2014	2015	2016
\$	1,395,636,699	\$ 1,401,069,607	\$ 1,425,776,788	\$ 1,510,082,837	\$ 1,507,192,601	\$ 1,509,093,578
	381,185,135	392,862,396	398,480,390	436,204,642	433,278,196	456,783,996
	198,448,243	202,692,468	204,795,867	210,172,216	203,472,513	207,845,076
	15,726,065	16,251,838	15,992,374	16,496,795	16,623,187	17,050,375
	17,919	17,911	20,074	17,336	1,594	836
	<u>1,991,014,061</u>	<u>2,012,894,220</u>	<u>2,045,065,493</u>	<u>2,172,973,826</u>	<u>2,160,566,091</u>	<u>2,190,773,861</u>
	126,428,398	129,115,379	129,890,569	136,415,463	134,999,834	138,795,597
	149,740,270	147,289,980	150,099,667	158,947,644	169,601,304	169,976,798
	60,799,687	64,129,559	69,624,065	76,505,617	69,525,061	69,797,436
	58,701,766	57,291,531	58,481,042	59,544,537	64,351,553	60,021,749
	2,129,034	2,090,179	2,548,923	3,103,601	3,168,196	3,095,853
	1,197,169	897,345	801,273	745,756	784,439	1,086,674
	<u>398,996,324</u>	<u>400,813,973</u>	<u>411,445,539</u>	<u>435,262,618</u>	<u>442,430,387</u>	<u>442,774,107</u>
	<u>2,390,010,385</u>	<u>2,413,708,193</u>	<u>2,456,511,032</u>	<u>2,608,236,444</u>	<u>2,602,998,478</u>	<u>2,633,547,968</u>
	48,218,118	49,720,564	51,249,507	52,926,067	54,353,613	56,469,606
	-	-	-	-	-	-
	3,055,284	3,220,047	3,039,558	2,845,571	3,385,485	3,251,364
	1,751,109	1,770,547	1,664,949	1,803,944	1,895,960	1,991,456
	2,031,272	1,983,788	2,604,177	2,356,182	2,466,024	2,504,873
	<u>55,055,783</u>	<u>56,694,946</u>	<u>58,558,191</u>	<u>59,931,764</u>	<u>62,101,082</u>	<u>64,217,299</u>
\$	<u>2,445,066,168</u>	<u>2,470,403,139</u>	<u>2,515,069,223</u>	<u>2,668,168,208</u>	<u>2,665,099,560</u>	<u>2,697,765,267</u>
	4,111,198	3,820,871	3,871,684	3,848,232	3,804,324	4,001,803
	112,581,279	83,474,771	77,994,243	79,196,930	80,147,449	78,289,593
	54,258,286	59,387,969	67,644,476	59,687,504	78,396,597	54,561,101
	<u>170,950,763</u>	<u>146,683,611</u>	<u>149,510,403</u>	<u>142,732,666</u>	<u>162,348,370</u>	<u>136,852,497</u>
	18,577,749	19,252,693	17,907,925	16,631,652	16,303,287	16,119,711
	-	-	-	-	-	-
	2,812,240	2,892,122	3,026,997	2,744,862	3,277,410	3,536,447
	1,671,121	1,778,378	1,735,962	1,786,478	2,003,127	2,184,988
	3,633,389	2,186,618	2,235,250	1,974,638	2,205,227	2,226,617
	27,800,835	30,590,480	32,844,833	35,934,919	38,684,559	41,326,131
	696,950	464,308	30,898	1,877,408	381,764	104,574
	<u>55,192,284</u>	<u>57,164,599</u>	<u>57,781,865</u>	<u>60,949,957</u>	<u>62,855,374</u>	<u>65,498,468</u>
\$	<u>226,143,047</u>	<u>203,848,210</u>	<u>207,292,268</u>	<u>203,682,623</u>	<u>225,203,744</u>	<u>202,350,965</u>
	(2,219,059,622)	(2,267,024,582)	(2,307,000,629)	(2,465,503,778)	(2,440,650,108)	(2,496,695,471)
	136,501	469,653	(776,326)	1,018,193	754,292	1,281,169
	<u>(2,218,923,121)</u>	<u>(2,266,554,929)</u>	<u>(2,307,776,955)</u>	<u>(2,464,485,585)</u>	<u>(2,439,895,816)</u>	<u>(2,495,414,302)</u>
\$	1,553,166,556	\$ 1,581,675,500	\$ 1,633,828,866	\$ 1,672,780,820	\$ 1,672,029,373	\$ 1,699,998,943
	668,581,752	761,695,928	771,174,249	792,450,552	810,716,731	829,182,141
	35,268,390	4,414,871	2,758,250	1,930,243	7,387,393	15,914,171
	367,906	526,078	865,352	1,399,515	460,704	8,240,684
	-	-	-	-	-	-
	<u>2,257,384,604</u>	<u>2,348,312,377</u>	<u>2,408,626,717</u>	<u>2,468,561,130</u>	<u>2,490,594,201</u>	<u>2,553,335,939</u>
	36,183	32,892	34,609	32,817	16,722	11,800
	-	-	-	-	-	-
	<u>36,183</u>	<u>32,892</u>	<u>34,609</u>	<u>32,817</u>	<u>16,722</u>	<u>11,800</u>
\$	<u>2,257,420,787</u>	<u>2,348,345,269</u>	<u>2,408,661,326</u>	<u>2,468,593,947</u>	<u>2,490,610,923</u>	<u>2,553,347,739</u>
	38,324,982	81,287,795	101,626,088	3,057,352	49,944,093	56,640,468
	172,684	502,545	(741,717)	1,051,010	771,014	1,292,969
\$	<u>38,497,666</u>	<u>81,790,340</u>	<u>100,884,371</u>	<u>4,108,362</u>	<u>50,715,107</u>	<u>57,933,437</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2007	2008	2009	2010	2011
General Fund:					
Nonspendable	\$ 6,663,737	\$ 6,870,750	\$ 6,289,918	\$ 7,221,461	\$ 6,567,714
Assigned	10,577,103	5,701,090	6,183,758	6,104,012	6,370,994
Unassigned	4,879,365	16,389,504	44,346,530	206,026	16,999,947
Total general fund	<u>\$ 22,120,205</u>	<u>\$ 28,961,344</u>	<u>\$ 56,820,206</u>	<u>\$ 13,531,499</u>	<u>\$ 29,938,655</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 888,399	\$ 136,374	\$ 245,077	\$ 265,873	\$ 279,707
Committed - Capital projects fund	(14,392,596)	(13,796,508)	(13,858,371)	-	-
Total all other governmental funds	<u>\$ (13,504,197)</u>	<u>\$ (13,660,134)</u>	<u>\$ (13,613,294)</u>	<u>\$ 265,873</u>	<u>\$ 279,707</u>
	2012	2013	2014	2015	2016
General Fund:					
Nonspendable	\$ 7,310,053	\$ 7,745,654	\$ 7,952,232	\$ 7,456,908	\$ 7,781,042
Assigned	7,069,165	5,478,166	2,510,534	2,758,823	3,615,674
Unassigned	28,660,135	36,068,895	25,709,467	24,048,758	21,926,344
Total general fund	<u>\$ 43,039,353</u>	<u>\$ 49,292,715</u>	<u>\$ 36,172,233</u>	<u>\$ 34,264,489</u>	<u>\$ 33,323,060</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 287,268	\$ 365,128	\$ 304,595	\$ 265,417	\$ 265,286
Committed - Capital projects fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 287,268</u>	<u>\$ 365,128</u>	<u>\$ 304,595</u>	<u>\$ 265,417</u>	<u>\$ 265,286</u>

Information for fiscal years 2007 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*.

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

	2007	2008	2009	2010
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,558,647,046	\$ 1,633,111,352	\$ 1,704,483,481	\$ 1,593,469,961
State of Maryland	474,951,016	561,788,026	602,257,843	619,385,100
Federal Government	75,177,789	81,098,923	73,709,427	127,230,073
Other	9,547,103	9,026,435	8,081,214	8,107,202
Total Revenue	<u>2,118,322,954</u>	<u>2,285,024,736</u>	<u>2,388,531,965</u>	<u>2,348,192,336</u>
Expenditures				
Current:				
Administration	43,163,115	40,223,462	41,116,832	39,543,392
Mid-level administration	118,650,653	128,825,484	133,558,653	133,865,561
Instructional salaries and wages	760,940,050	801,621,226	835,121,087	851,338,027
Instructional textbooks and supplies	36,680,260	30,676,046	27,836,308	26,674,306
Other instructional costs	18,687,106	17,748,901	13,416,424	11,456,405
Special education	227,023,151	245,993,338	259,846,857	273,368,914
Student personnel services	10,264,691	11,051,597	11,544,552	11,289,494
Health services	44,821	32,162	31,125	38,695
Student transportation	81,298,925	92,544,044	87,139,938	87,252,913
Operation of plant	102,598,137	112,699,200	113,847,318	115,639,206
Maintenance of plant	30,815,334	31,498,027	34,797,983	34,612,073
Fixed charges	463,825,658	531,185,474	557,052,644	596,364,990
Community services	1,750,520	1,902,912	1,662,113	1,756,954
Debt service:				
Capital lease principal	23,997,477	23,510,181	24,465,455	20,178,442
Capital lease interest	1,742,075	1,970,020	2,040,350	1,750,321
Capital outlay	218,839,987	234,409,417	239,036,321	178,597,204
Total expenditures	<u>2,140,321,960</u>	<u>2,305,891,491</u>	<u>2,382,513,960</u>	<u>2,383,726,897</u>
Excess (deficiency) of Revenues over expenditures	(21,999,006)	(20,866,755)	6,018,005	(35,534,561)
Other financing sources				
Capital lease financing	24,922,301	27,530,529	21,883,195	6,125,021
Technology loans from Montgomery County				
Transfers in	127,762	21,428	4,501	
Transfers out				
Total other financing sources	<u>25,050,063</u>	<u>27,551,957</u>	<u>21,887,696</u>	<u>6,125,021</u>
Net change in fund balances	<u>\$ 3,051,057</u>	<u>\$ 6,685,202</u>	<u>\$ 27,905,701</u>	<u>\$ (29,409,540)</u>
Debt service as a percentage of noncapital expenditures	1.4%	1.2%	1.3%	1.0%

	2011	2012	2013	2014	2015	2016
\$	1,598,298,058	\$ 1,634,325,263	\$ 1,697,311,813	\$ 1,722,421,710	\$ 1,746,734,700	\$ 1,751,827,765
	672,165,098	765,912,232	776,187,259	802,146,773	818,487,290	832,480,205
	146,479,166	88,309,979	77,668,057	79,111,667	81,162,630	91,387,696
	6,936,945	6,448,515	6,501,793	7,613,644	6,557,953	7,979,169
	<u>2,423,879,267</u>	<u>2,494,995,989</u>	<u>2,557,668,922</u>	<u>2,611,293,794</u>	<u>2,652,942,573</u>	<u>2,683,674,835</u>
	36,954,635	35,931,627	38,361,432	37,180,315	43,121,059	38,137,108
	135,139,216	132,955,672	135,537,267	136,161,260	136,742,143	138,754,954
	824,315,364	806,181,103	831,267,986	862,096,690	887,923,350	903,658,977
	21,939,573	24,407,914	24,850,483	23,239,502	23,110,188	20,622,147
	11,571,972	13,588,680	13,409,988	13,676,632	10,131,255	9,246,817
	271,395,047	270,775,788	275,623,730	291,929,538	298,528,876	313,795,044
	10,680,737	10,649,399	10,572,269	10,682,855	11,185,874	11,392,324
	16,267	16,908	18,994	16,388	1,594	836
	94,135,828	95,559,434	95,911,020	101,036,031	102,233,482	103,885,365
	113,952,839	111,067,453	112,560,889	118,604,859	127,576,145	126,557,151
	33,013,662	31,575,617	33,286,341	33,947,985	31,557,851	35,772,435
	636,600,510	666,817,831	705,727,831	758,138,841	759,060,741	750,150,331
	1,608,047	1,519,629	1,888,449	2,281,607	2,436,418	2,291,995
	19,024,733	18,844,888	19,394,211	21,691,477	28,238,622	28,223,640
	1,197,169	897,345	801,273	745,756	784,439	1,086,674
	213,558,453	286,212,343	280,935,624	237,654,916	234,711,185	223,192,574
	<u>2,425,104,052</u>	<u>2,507,001,631</u>	<u>2,580,147,787</u>	<u>2,649,084,652</u>	<u>2,697,343,222</u>	<u>2,706,768,372</u>
	(1,224,785)	(12,005,642)	(22,478,865)	(37,790,858)	(44,400,649)	(23,093,537)
	17,645,775	25,113,901	28,810,087	24,609,843	42,453,727	22,151,977
	<u>17,645,775</u>	<u>25,113,901</u>	<u>28,810,087</u>	<u>24,609,843</u>	<u>42,453,727</u>	<u>22,151,977</u>
\$	<u>16,420,990</u>	<u>\$ 13,108,259</u>	<u>\$ 6,331,222</u>	<u>\$ (13,181,015)</u>	<u>\$ (1,946,922)</u>	<u>\$ (941,560)</u>
	0.9%	0.9%	0.9%	0.9%	1.2%	1.2%

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN POSITION
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2015 *

Operating revenues:	
Contributions by other agencies	\$ 49,959,661
Contributions by the Board of Education	<u>18,668,897</u>
Total operating revenues	<u>68,628,558</u>
Operating expenses:	
Self-insurance losses, net of recoveries	37,363,038
Other costs at risk	6,228,568
Commercial insurance	4,262,919
Other operating expenses	<u>3,788,963</u>
Total operating expenses	<u>51,643,488</u>
Operating gain(loss)	<u>16,985,070</u>
Nonoperating revenues :	
Interest on investments	193,008
Other revenue	<u>503,547</u>
Total nonoperating revenues	<u>696,555</u>
Change in net position	17,681,625
Total net position - beginning of year, as restated	<u>(4,781,036)</u>
Total net position (deficit) - end of year	<u>\$ 12,900,589</u>

* Date of the most current available information.

Source: Montgomery County FY 2015 CAFR

BOARD OF EDUCATION OF MONTGOMERY COUNTY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities Capital Leases	Business-Type Activities Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2007	45,400,158	483,803	45,883,961	0.07%	49
2008	49,420,506	339,046	49,759,552	0.07%	53
2009	46,838,246	151,621	46,989,867	0.07%	49
2010	32,784,825	287,343	33,072,168	0.05%	34
2011	31,405,867	504,223	31,910,090	0.04%	32
2012	37,674,880	596,314	38,271,194	0.05%	38
2013	47,090,756	713,086	47,803,842	0.06%	47
2014	50,009,122	792,703	50,801,825	0.06%	50
2015	64,224,227	973,638	65,197,865	0.08%	64
2016	58,152,564	655,347	58,807,911	0.07%	56

Notes:

Details regarding Board' 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 Montgomery County, Maryland table of Demographic Statistics-Last Ten Fiscal Years. Montgomery County FY 2016 CAFR Table 23

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 (1)	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
2007	1,087,613,905	(1,814,829)	1,085,799,076	1,081,566,118	99.44	(871,095)	1,080,695,023	99.53
2008	1,137,590,824	(3,478,825)	1,134,111,999	1,132,548,519	99.56	(2,863,211)	1,129,685,308	99.61
2009	1,282,437,423	1,419,457	1,283,856,880	1,278,337,019	99.68	652,835	1,278,989,854	99.62
2010	1,344,626,102	(5,404,010)	1,339,222,092	1,343,140,289	99.89	(17,215,284)	1,325,925,005	99.01
2011	1,350,416,973	(2,333,797)	1,348,083,176	1,349,698,631	99.95	(4,064,453)	1,345,634,178	99.82
2012	1,365,605,932	1,281,550	1,366,887,482	1,363,217,734	99.83	2,010,890	1,365,228,624	99.88
2013	1,390,542,228	(290,079)	1,390,252,149	1,384,563,178	99.57	3,034,726	1,387,597,904	99.81
2014	1,437,898,506	(397,571)	1,437,500,935	1,434,787,650	99.78	79,753	1,434,867,403	99.82
2015	1,447,816,313	1,003,611	1,448,819,924	1,442,602,468	99.64	3,345,738	1,445,948,206	99.80
2016	1,521,343,303	-	1,521,343,303	1,518,519,304	99.81	-	1,518,519,304	99.81

NOTES:

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

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

Table Reference Source: Montgomery County FY 2016 CAFR Table 11

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		
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	174,593,272,074	0.947	
2013	124,783,384,563	134,320,112,554	33,489,446,285	36,048,919,575	158,272,830,848	170,369,032,129	0.990	
2014	125,035,897,087	136,502,071,055	34,855,968,247	38,052,367,082	159,891,865,334	174,554,438,137	1.008	
2015	127,929,975,330	138,452,354,253	35,726,782,876	38,665,349,433	163,656,758,206	177,117,703,686	0.995	
2016	130,228,674,548	140,940,123,970	39,947,771,504	43,233,518,943	170,176,446,052	184,173,642,913	0.986	

Fiscal Year	Personal Property (2)					Real and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value	
	Business		Public Utility		Total	Direct Tax Rate (3)	Assessed Value		Estimated Actual Value
	Individuals	Corporations	Operating Property	Domestic Shares					
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	178,312,217,784	93.05
2013	46,638,380	2,092,070,220	1,081,466,940	384,303,210	3,604,478,750	2.463	161,877,309,598	173,973,510,879	93.05
2014	42,416,630	2,172,248,760	1,120,973,968	373,688,150	3,709,327,508	2.509	163,601,192,842	178,263,765,645	91.77
2015	42,008,150	2,075,584,320	1,181,901,740	355,639,000	3,655,133,210	2.473	167,311,891,416	180,772,836,896	92.55
2016	47,898,060	2,234,518,270	1,258,731,007	343,201,680	3,884,349,017	2.450	174,060,795,069	188,057,991,930	92.56

NOTES:

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

- (1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.
- (2) For personal property, the assessed value and estimated actual value are the same.
- (3) See Table 9-a for real and personal property direct tax rates.

Table Reference Source: Montgomery County FY 2016 CAFR Table 8

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

	County-wide					Substantially County-wide (1)				Prorata Tax Rate	Total County Direct Rate (3)
	County		M-NCPPC (2)			County		M-NCPPC (2)			
	County	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District		
Real Property:											
2007	\$.6240	\$.1340	\$.0530	\$.0010	\$.8120	\$.0240	\$.0030	\$.0200	\$.0570	\$.0900	\$.9020
2008	.6270	.1260	.0580	.0010	.8120	.0240	.0030	.0190	.0580	.0900	.9020
2009	.6610	.1160	.0400	.0010	.8180	.0220	.0030	.0190	.0530	.0840	.9020
2010	.6830	.1050	.0370	.0010	.8260	.0190	.0030	.0180	.0500	.0780	.9040
2011	.6990	.0970	.0370	.0010	.8340	.0180	.0030	.0150	.0450	.0700	.9040
2012	.7130	.1210	.0380	.0010	.8730	.0180	.0030	.0170	.0480	.0740	.9470
2013	.7240	.1340	.0480	.0010	.9070	.0210	.0030	.0180	.0540	.0830	.9900
2014	.7590	.1250	.0420	.0010	.9270	.0200	.0030	.0180	.0530	.0810	1.0080
2015	.7320	.1360	.0400	.0010	.9090	.0230	.0030	.0170	.0560	.0857	0.9947
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	.9858
Personal Property:											
2007	\$ 1.5600	\$.3350	\$.1330	\$.0030	\$ 2.0310	\$.0600	\$.0080	\$.0500	\$.1430	\$.2130	\$ 2.2440
2008	1.5670	.3150	.1450	.0030	2.0300	.0600	.0070	.0470	.1450	.2110	2.2410
2009	1.6520	.2900	.1000	.0030	2.0450	.0550	.0070	.0470	.1320	.1960	2.2410
2010	1.7070	.2620	.0920	.0030	2.0640	.0470	.0070	.0450	.1250	.1830	2.2470
2011	1.7470	.2420	.0920	.0030	2.0840	.0450	.0070	.0380	.1120	.1630	2.2470
2012	1.7830	.3030	.0950	.0030	2.1840	.0450	.0080	.0430	.1200	.1730	2.3570
2013	1.8100	.3350	.1200	.0030	2.2680	.0530	.0080	.0450	.1350	.1950	2.4630
2014	1.8980	.3130	.1050	.0030	2.3190	.0500	.0080	.0450	.1330	.1900	2.5090
2015	1.8300	.3400	.1000	.0030	2.2730	.0580	.0080	.0430	.1400	.2003	2.4733
2016	1.8075	.2900	.1500	.0025	2.2500	.0575	.0075	.0450	.1380	.1998	2.4498

NOTES:

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

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

Table Reference Source: Montgomery County FY 2016 CAFR Table 9-a

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

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts		Development Districts		
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
Real Property:												
2007	\$.2800	\$.2800	\$.2400	\$.2400	\$.0240	\$.0160	\$.0300	\$.0500	\$.0010	\$.0650	\$.1610	\$.0000
2008	.2800	.2800	.2400	.2400	.0240	.0160	.0300	.0800	.0800	.0710	.1560	.0000
2009	.2800	.2800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0630	.1440	.0000
2010	.2800	.1800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0860	.1370	.0000
2011	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0790	.1630	.0000
2012	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0770	.0800	.0990	.1650	.1070
2013	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0100	.0990	.1730	.1120
2014	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.1050	.1830	.1130
2015	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.0810	.1820	.1120
2016	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0660	.1510	.1111
Personal Property:												
2007	\$.7000	\$.7000	\$.6000	\$.6000	\$.0600	\$.0400	\$.0750	\$.1250	\$.1250	\$.0000	\$.0000	\$.0000
2008	.7000	.7000	.6000	.6000	.0600	.0400	.0750	.2000	.2000	.0000	.0000	.0000
2009	.7000	.7000	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2010	.7000	.4500	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2011	.7920	.2600	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2012	.7930	.2600	.6000	.6000	.0600	.0300	.0750	.1930	.2000	.0000	.0000	.0000
2013	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0250	.0000	.0000	.0000
2014	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2015	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2016	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000

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.

Table Reference Source: Montgomery County FY 2016 CAFR 9-b

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

Fiscal Year	Cities			Towns				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
Real Property:								
2007	.2120	.3120	.6300	.0600	.1500	.0260	.1900	.1200
2008	.2120	.3020	.6100	.0540	.1500	.0230	.1900	.1200
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1340
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
2016	.2620	.2920	.5850	.0514	.2000	.0000	.2100	.1400
Personal Property:								
2007	.5300	.8050	1.5750	.2000	.4500	.1000	1.0000	.8000
2008	.5300	.8050	1.5250	.2000	.4500	.1000	1.0000	.8000
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2016	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
2007	.1470	.1400	.2000	.0400	.2020
2008	.1390	.1400	.1800	.0400	.2020
2009	.1300	.1200	.1600	.0400	.1810
2010	.1220	.1100	.1500	.0400	.1810
2011	.1360	.1000	.1594	.0800	.2210
2012	.1360	.1100	.1594	.0800	.2210
2013	.1360	.1100	.1590	.0800	.3170
2014	.1360	.1000	.1672	.0800	.3000
2015	.1360	.0900	.1672	.0800	.3000
2016	.1360	.0900	.1700	.0800	.2860
Personal Property:					
2007	.5000	.3500	.6000	.2200	.6000
2008	.5000	.3500	.6000	.2200	.6000
2009	.5000	.3300	.6000	1.0000	.6000
2010	.5000	.3100	.6000	1.0000	.6000
2011	.5500	.3000	.6000	1.0000	.6000
2012	.5500	.3000	.6000	1.0000	.6000
2013	.5500	.3000	.6000	1.0000	.6000
2014	.5700	.3000	.6000	1.0000	.7000
2015	.6200	.3000	.6000	1.0000	.7000
2016	.6500	.3000	.6000	1.0000	.7000

NOTES:

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

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

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

Table Reference Source: Montgomery County FY2016 CAFR 9-c

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

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2007	\$.0500	\$.0200	\$.0000	\$.0230	\$.1230	\$.0480	\$.0400	\$.0080	\$.0520	\$.0600
2008	.0500	.0200	.0000	.0220	.1110	.0480	.0400	.0080	.0520	.0600
2009	.0500	.0200	.0000	.0220	.1030	.0480	.0400	.0080	.0520	.0400
2010	.0500	.0200	.0000	.0220	.0960	.0480	.0400	.0080	.0520	.0400
2011	.0500	.0200	.0000	.0220	.0900	.0480	.0400	.0400	.0520	.0400
2012	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0460	.0520	.0400
2013	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0470	.0520	.0400
2014	.0500	.0200	.0000	.0220	.1000	.0480	.0400	.0470	.0520	.0400
2015	.0500	.0200	.0000	.0220	.0850	.0480	.0400	.0472	.0520	.0400
2016	.0500	.0200	.0000	.0220	.0828	.0480	.0400	.0472	.0520	.0400
Personal Property:										
2007	\$.1250	\$.0500	\$.0000	\$.0000	\$.6600	\$.1200	\$.0400	\$.0080	\$.1300	\$.1000
2008	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2009	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2010	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2011	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2012	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2013	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2014	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2015	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2016	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000

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.

Table Reference Source: Montgomery County FY 2016 CAFR Table 9-d

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

For the Fiscal Year Ended June 30, 2016				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 825,783,493	\$ 5,521,133	\$ 820,262,360	0.47 %
Federal Realty Investment Trust	577,517,398	574,334,768	3,182,630	0.33
Wash Metro Area Transit Auth	352,330,267	352,330,267	-	0.20
Verizon - Maryland	336,926,560	-	336,926,560	0.19
Montgomery Mall LLC	335,389,300	335,389,300	-	0.19
Street Retail Inc.	299,542,445	299,542,445	-	0.17
Chevy Chase Land Co	298,395,235	298,395,235	-	0.17
Washington Gas Light Co.	277,048,240	-	277,048,240	0.16
WP Project Developer LLC	254,225,902	254,225,902	-	0.15
Wheaton Plaza Reg Shopping Center	226,272,500	226,272,500	-	0.13
Total	\$ 3,783,431,340	\$ 2,346,011,550	\$ 1,437,419,790	2.17 %
Total Assessable Base	\$ 174,060,795,069			100.00 %

For the Fiscal Year Ended June 30, 2007				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 705,060,996	\$ 6,931,466	\$ 698,129,530	0.54 %
Verizon	670,608,660	30,345,000	640,263,660	0.52
Montgomery Mall	335,367,236	334,691,666	675,570	0.26
Washington Gas Light Co.	229,028,830	-	229,028,830	0.18
Chevy Chase Land Co.	213,530,560	213,530,560	-	0.16
Mirant Mid-Atlantic LLC	198,571,702	75,319,332	123,252,370	0.15
7501 Wisconsin Avenue LLC	198,508,332	198,508,332	-	0.15
Wheaton Plaza Regional Shopping Center	174,942,430	173,759,100	1,183,330	0.13
Bryant F. Foulger, Trustee	174,503,400	174,503,400	-	0.13
Camalier, Anne D. et al, Trustee	172,456,415	172,456,415	-	0.13
Total	\$ 3,072,578,561	\$ 1,380,045,271	\$ 1,692,533,290	2.37 %
Total Assessable Base	\$ 129,659,725,668			100.00 %

Table Reference Source: Montgomery County FY 2016 CAFR Table 10

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (4)

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations				
2007	\$ 1,512,675,607	\$ 100,000,000	\$ -		\$ 1,612,675,607	1.19 %	\$ 1,713
2008	1,366,758,054	100,000,000	-		1,466,758,054	0.98	1,538
2009	1,496,561,371	100,000,000	-		1,596,561,371	0.95	1,643
2010	1,437,839,285	100,000,000	232,000,000		1,769,839,285	0.99	1,821
2011	1,517,280,000	100,000,000	338,320,000		1,955,600,000	1.01	1,996
2012	1,658,970,000	100,000,000	338,320,000		2,097,290,000	1.18	2,119
2013	1,930,155,391	100,000,000	339,827,520		2,369,982,911	1.36	2,372
2014	2,085,028,317	100,000,000	339,671,879		2,524,700,196	1.42	2,479
2015	2,465,315,677	100,000,000	339,516,238		2,904,831,915	1.61	2,848
2016	2,582,259,186	100,000,000	323,901,913		3,006,161,099	1.60	2,863

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) See Montgomery County FY 2016 CAFR Table 8 for estimated actual value of taxable property data.
- (3) See Montgomery County FY 2016 CAFR Table 23 for population data. However, when population data for prior years is revised, per capita amounts presented herein are reported as originally stated.
- (4) Certain amounts have been reclassified or restated to conform with the following year's presentation.

Table Reference Source: Montgomery County FY 2016 CAFR 18

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

	2007	2008	2009	2010
Assessed Value				
Real property (1,3)	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472	\$ 167,096,843,537
Personal property (2)	3,948,949,550	3,970,547,370	3,920,171,020	4,123,996,612
Total Assessed Value	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,492</u>	<u>\$ 171,220,840,149</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (2)	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612
For personal property at 15%	592,342,433	595,582,106	588,025,653	618,599,492
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>8,134,989,000</u>	<u>9,133,968,242</u>	<u>10,076,035,141</u>	<u>10,644,410,104</u>
Debt Applicable to Limit:				
General obligation bonds	1,512,675,607	1,366,758,054	1,496,561,371	1,437,839,285
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation	-	-	-	232,000,000
Bond anticipation notes	150,000,000	300,000,000	300,000,000	425,000,000
Total Debt Applicable to Limit	<u>1,762,675,607</u>	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>
Legal Debt Margin	<u>\$ 6,372,313,393</u>	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>	<u>\$ 8,449,570,819</u>
Legal Debt Margin as a Percentage of Debt Limit	78%	81%	81%	79%

NOTES:

(1) See (1) on Montgomery County FY 2016 CAFR Table 8.

(2) See (3) on Montgomery County FY 2016 CAFR Table 8.

(3) 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.

Table Reference Source: Montgomery County FY 2016 CAFR Table 20

	2011	2012	2013	2014	2015	2016
\$	167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848	\$ 159,891,865,334	163,656,758,206	170,176,446,052
	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508	3,655,133,210	3,884,349,017
	171,646,984,481	165,916,095,468	161,877,309,598	163,601,192,842	\$ 167,311,891,416	\$ 174,060,795,069
\$	10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763
	578,428,793	557,841,857	540,671,813	556,399,126	548,269,982	582,652,353
	10,645,876,345	10,289,670,842	10,037,041,664	10,149,911,046	10,367,675,474	10,793,239,116
	1,517,280,000	1,658,970,000	1,930,155,391	2,085,028,317	2,465,315,677	2,582,259,186
	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
	338,320,000	338,320,000	339,827,520	339,671,879	339,516,238	323,901,913
	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
	2,455,600,000	2,597,290,000	2,869,982,911	3,024,700,196	3,404,831,915	3,506,161,099
\$	8,190,276,345	\$ 7,692,380,842	7,167,058,753	7,125,210,850	\$ 6,962,843,559	\$ 7,287,078,017
	77%	75%	71%	70%	67%	68%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 317,900	100.00 %	\$ 317,900
Poolesville - bonds	2,050,879	100.00	2,050,879
Rockville:			
Bonds	133,210,000	100.00	133,210,000
Certificates or notes	4,210,191	100.00	4,210,191
Somerset - bonds	1,470,000	100.00	1,470,000
Takoma Park:			
Bonds	2,066,500	100.00	2,066,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	58,807,911	100.00	58,807,911
MCC - capital leases	48,155,000	100.00	48,155,000
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	118,238,127	41.57	49,155,000
Advance land acquisition bonds	1,075,000	100.00	1,075,000
Development Districts (2):			
Kingsview Village Center - bonds	1,112,999	100.00	1,112,999
West Germantown - bonds	11,440,000	100.00	11,440,000
Total Overlapping Debt			313,221,380
Montgomery County direct debt (5)			3,843,880,821
Total Direct and Overlapping Debt			<u>\$ 4,157,102,201</u>

NOTES:

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

Table Reference Source: Montgomery County FY 2016 CAFR 19

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2016*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2016
General bonded indebtedness:					
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	62,464,240	14,254,335
Consolidated Public Improvement	4.2 - 5.0	5/1/2006	2007-16	50,000,000	0
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	7,480,000
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	24,688,800
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	48,528,642
Consolidated Public Improvement Build America Bonds	3.75 - 5.5	11/3/2009	2015-29	130,000,000	121,334,267
Consolidated Public Improvement	2.00 - 5.0	7/26/2010	2011-22	80,500,000	46,958,335
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	59,250,000
Consolidated Public Improvement Refunding	2.00 - 5.0	8/11/2011	2012-22	106,469,440	76,092,800
Consolidated Public Improvement	2.00 - 5.3	10/24/2012	2013-32	150,000,000	127,500,000
Consolidated Public Improvement Refunding	2.50 - 5.0	10/24/2012	2013-16	2,896,640	669,600
Consolidated Public Improvement	3.00 - 5.0	11/26/2013	2014-34	83,300,000	74,970,000
Consolidated Public Improvement Refunding	5.0	11/26/2013	2023-24	8,794,995	8,794,995
Consolidated Public Improvement	4.00 - 5.0	11/19/2014	2015-35	200,575,000	190,546,250
Consolidated Public Improvement Refunding	5.0	11/19/2014	2016-28	146,015,100	146,015,100
Consolidated Public Improvement Refunding	5.0	3/26/2015	2018-21	30,371,880	30,371,880
Consolidated Public Improvement	3.00 - 5.0	11/18/2015	2016-35	95,789,000	95,789,000
Total				\$ 1,702,971,602	\$ 1,155,844,004

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, 2016

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)
2007	931,694	64,365,237	69,084	509,769	496,401	2.6	137,798
2008	942,748	67,279,968	71,366	515,987	499,705	3.2	137,745
2009	959,013	65,858,231	68,673	522,421	494,565	5.3	137,763
2010	976,006	67,890,159	69,559	532,549	502,710	5.6	140,500
2011	991,645	71,081,967	71,681	536,636	508,528	5.2	143,309
2012	1,004,476	73,467,234	73,140	540,444	512,589	5.2	146,497
2013	1,016,677	73,958,785	72,746	542,029	515,153	5.0	149,018
2014	1,018,000	75,940,000	74,597	540,128	516,420	4.4	151,289
2015	1,020,000	79,300,000	77,745	544,313	522,426	4.0	154,230
2016	1,050,118	82,490,000	78,553	549,900	531,400	3.4	156,447

NOTES:

- (1) Sources: Data for 2007-2014 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2015 and 2016 are estimated by from Montgomery Planning Department of Finance from Round 8.4 Cooperative Estimates and pertain to population in households.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2007-2014 were revised by BEA. Data for 2015 through 2016 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2007 - 2015. Data for 2016 estimated by Montgomery County Department of Finance based on the percent change from first half of CY 2015 to the first half of CY 2016.
- (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 2007-2015 revised by BLS. Data for 2016 estimated by Montgomery County Department of Finance based on the percent change from first half of CY 2015 to the first half of CY 2016.
- (6) The unemployment rates for 2007 through 2015 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2016 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2016.
- (7) Source: County Executive's Recommended FY17 Operating Budget, Office of Management and Budget, Montgomery County, page 5-16.

Table Reference Source: Montgomery County FY 2016 CAFR Table 23

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

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees(1)	Rank	Percentage of Total County Employment(2,3)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	29,040	1	6.25 %	41,250	1	8.87 %
Montgomery County Public Schools	25,480	2	5.48	20,875	2	4.49
Montgomery County Government	11,790	3	2.54	8,675	4	1.87
U.S. Department of Commerce	5,420	4	1.17	6,721	6	1.45
U.S. Department of Defense	5,340	5	1.15	14,709	3	3.16
Adventist Healthcare	4,800	6	1.03	8,134	5	1.75
Marriott International, Inc. (Headquarters)	4,500	7	0.97	3,000	9	0.65
Holy Cross Hospital of Silver Spring	3,860	8	0.83	*		-
Montgomery College	3,550	9	0.76	*		-
Lockheed Martin Corporation	3,100	10	0.67	3,832	8	0.82
Giant Food Corporation	*		-	3,896	7	0.84
U.S. Nuclear Regulatory Commission	*		-	2,712	10	0.58
Total	96,880		20.85 %	113,804		24.48 %

NOTES:

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

- (1) Employee numbers are based on DED's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly Census of Employment and Wages 2015.
- (2) Employee counts for Federal & Military facilities exclude contractors to the extent possible.
- (3) Total payroll employment in FY 16 was 464,888.

Table Reference Source: Montgomery County FY 2016 CAFR Table 22

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BOARD OF EDUCATION OF MONTGOMERY COUNTY
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Instruction:										
Total enrollment ⁽¹⁾	137,798	137,745	139,276	141,777	144,064	146,497	148,779	151,289	153,852	156,447
Regular students ⁽¹⁾	128,511	128,478	130,371	140,065	142,342	144,571	146,930	149,390	152,092	154,288
ESOL students ⁽²⁾	14,718	15,961	16,685	17,664	17,900	18,650	19,200	22,088	23,386	26,127
Special education classroom students ⁽²⁾	8,888	8,853	8,534	9,107	9,067	9,533	11,614	16,339	16,462	17,053
Cost per pupil (accrual basis) ⁽⁶⁾	\$ 14,388	\$ 16,081	\$ 16,543	\$ 16,782	\$ 16,590	\$ 16,476	\$ 16,486	\$ 17,240	\$ 16,919	\$ 16,833
Number of teaching stations ⁽³⁾	7,098	7,379	7,660	7,085	7,101	7,492	7,313	7,584	7,595	8,307
Average teacher salary ⁽⁶⁾	\$ 67,439	\$ 71,039	\$ 75,517	\$ 76,499	\$ 73,638	\$ 72,356	\$ 75,463	\$ 75,452	\$ 76,029	\$ 75,717
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	13:1	13:1	14:1	13.5:1	14:1	14:1	14:1	14:1	14:1	14:1
Average SAT score ^{(1) *}	1,624	1,616	1,615	1,653	1,637	1,651	1,648	1,650	1,629	1,631
Seniors taking SAT ⁽¹⁾	79 %	74 %	78 %	71 %	71 %	71 %	69 %	69 %	68 %	65 %
Building capacity used ^{(3) #}	100 %	100 %	100 %	98.3 %	100 %	100 %	102 %	99 %	101 %	101 %
Support services:										
Student transportation:										
Number of buses ⁽¹⁾	1,264	1,272	1,271	1,270	1,268	1,264	1,264	1,270	1,273	1,287
Students transported ⁽¹⁾	95,711	96,000	96,700	97,100	98,535	100,158	99,300	101,949	101,949	104,000
Operation of plant:										
School buildings ⁽¹⁾	199	200	199	200	200	200	202	202	203	204
Square footage ⁽³⁾	20.9 million	21.1 million	21.1 million	21.4 million	23.5 million	24.2 million	24.6 million	24.9 million	24.9 million	23.9 million
Number of rooms ⁽³⁾	7,377	7,385	7,458	7,652	7,737	7,898	7,950	8,157	8,169	8,184
Maintenance of plant:										
Work orders completed	63,380	60,156	59,393	60,322	64,754	61,529	60,305	59,862	63,980	67,083
Average building age (years) ^{(3) *}	22	22	22	23	23	22	22	23	22	24
Administration:										
Payments issued	69,653	70,328	65,060	66,412	64,504	65,035	64,880	64,506	61,911	57,476
Purchased orders issued	49,609	43,233	58,858	49,870	59,866	33,436	33,663	48,375	37,763	37,929
Business-Type Activities:										
Food Service:										
Meals served	12.5 million	12.8 million	13.1 million	12.9 million	13.7 million	14.6 million	14.6 million	15.1 million	17.2 million	17.6 million
Free & Reduced meals	6.4 million	7.0 million	7.5 million	8.1 million	8.9 million	9.6 million	9.9 million	10.3 million	11.9 million	12 million
Real Estate Management:										
Square footage under lease	103,567	188,248	168,949	162,389	167,416	169,432	169,768	185,375	179,686	207,177
Average annual rental months	11	11	11	11.1	11.42	11.31	11.28	11.06	11.7	11.1
Field Trip:										
Number of trips run	7,392	8,004	9,277	9,800	10,913	11,632	11,490	11,509	11,187	12,264
Trip miles	270,741	298,324	366,796	385,878	427,679	440,462	433,456	421,296	436,954	478,034
Entrepreneurial activities:										
Science kits sold	12,621	5,871	7,975	4,806	5,676	4,748	3,546	1,854	2,293	3,570

Notes:

NA - Data not readily available.

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

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

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

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

Sources for 2016:

(1) The Superintendent's FY2017 Operating Budget Summary and Personnel Complement

Total schools are 204 with breakdown: 133 elementary schools; 39 middle schools (includes the opening of Hallie Wells MS)

25 high schools; 1 Career & Technology HS (Edison)

5 Special Education Centers (Stephen Knolls, Longview, RICA, RockTerrace and Sandburg); 1 Alternative Education Center (Blair Ewing Center)

(2) 2015-2016 Schools at a Glance

(3) FY 2017 Educational Facilities Master Plan and the FY 2017-2022 Capital Improvements Program

(4) Various Board departments where not otherwise noted

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

(6) FY2016 Fact Sheet Prepared by Employee and Retiree Service Center

BOARD OF EDUCATION OF MONTGOMERY COUNTY
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,679	9,666	9,589	9,690
Other staff	1,392	1,429	1,371	1,374
Total Regular instruction	<u>11,071</u>	<u>11,095</u>	<u>10,960</u>	<u>11,064</u>
Special education:				
Teachers	1,985	2,024	2,047	2,094
Other staff	1,377	1,412	1,424	1,514
Total Special education	<u>3,362</u>	<u>3,436</u>	<u>3,471</u>	<u>3,608</u>
School administration	1,675	1,691	1,677	1,662
Student personnel services	120	122	118	111
Total Instruction	<u>16,228</u>	<u>16,344</u>	<u>16,226</u>	<u>16,445</u>
Support services:				
Student transportation	1,750	1,751	1,745	1,742
Operation of plant	1,390	1,405	1,403	1,398
Maintenance of plant	377	380	396	389
Administration	363	377	369	358
Total Support services	<u>3,880</u>	<u>3,913</u>	<u>3,913</u>	<u>3,887</u>
Special Revenue:				
Instructional TV	14	14	14	14
Business-Type Activities:				
Food Service	601	602	605	584
Adult Education	-	-	-	-
Real Estate Management	4	4	7	7
Field Trips	3	3	4	5
Entrepreneurial activities	10	10	8	10
Position Grand total	<u><u>20,740</u></u>	<u><u>20,890</u></u>	<u><u>20,777</u></u>	<u><u>20,952</u></u>

Source:

The Superintendent's FY 2016 Operating Budget Summary and Personnel Complement

Fiscal Year

2011	2012	2013	2014	2015	2016
9,453	9,467	9,617	9,887	10,119	10,119
<u>1,351</u>	<u>1,208</u>	<u>1,211</u>	<u>1,205</u>	<u>1,085</u>	<u>1,085</u>
<u>10,804</u>	<u>10,675</u>	<u>10,828</u>	<u>11,092</u>	<u>11,204</u>	<u>11,204</u>
2,117	2,114	2,141	2,201	2,241	2,241
<u>1,545</u>	<u>1,547</u>	<u>1,556</u>	<u>1,591</u>	<u>1,626</u>	<u>1,626</u>
<u>3,662</u>	<u>3,661</u>	<u>3,697</u>	<u>3,792</u>	<u>3,867</u>	<u>3,867</u>
1,683	1,669	1,673	1,675	1,678	1,678
110	109	107	108	112	112
<u>16,259</u>	<u>16,114</u>	<u>16,305</u>	<u>16,667</u>	<u>16,861</u>	<u>16,861</u>
1,742	1,733	1,733	1,733	1,733	1,733
1,407	1,430	1,431	1,442	1,594	1,594
380	380	380	375	351	351
339	327	328	333	347	347
<u>3,868</u>	<u>3,870</u>	<u>3,872</u>	<u>3,883</u>	<u>4,025</u>	<u>4,025</u>
14	13	13	13	14	14
584	584	583	583	585	585
-	-	-	-	-	-
7	7	7	7	7	7
5	5	5	5	5	5
9	9	13	13	13	13
<u>20,746</u>	<u>20,602</u>	<u>20,798</u>	<u>21,171</u>	<u>21,510</u>	<u>21,510</u>

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ROCKVILLE, MARYLAND

Published by the Department of Materials Management
for the Division of Controller
0426.17 • Editorial, Graphics & Publishing Services • 10/16 • 150

