



Comprehensive Annual

FY 2018

Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

ROCKVILLE, MARYLAND

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

Board of Education of Montgomery County

GUIDING TENETS

- VISION:** We inspire learning by providing the greatest public education to each and every student.
- MISSION:** Every student will have the academic, creative problem solving, and social emotional skills to be successful in college and career.
- CORE PURPOSE:** Prepare all students to thrive in their future.

CORE VALUES

LEARNING

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

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

RELATIONSHIPS

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

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

RESPECT

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

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

EXCELLENCE

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

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

EQUITY

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
A Component Unit of Montgomery County, Maryland

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Prepared by: Office of the Chief Financial Officer
Nicola Diamond, *Chief Financial Officer*
Robert Reilly, CPA, *Director*

Cover Photo: *Thomas Edison High School of Technology*

850 Hungerford Drive, Room 167
Rockville, Maryland 20850



Student: Yahara Lopez, 8th Grade
School: Gaithersburg Middle School
Art Teacher: Chris Cuff

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2018

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Student: Jessica Whitney, 8th Grade
School: Hallie Wells Middle School
Art Teacher: Todd Sprites



INTRODUCTORY SECTION

Board of Education of Montgomery County
June 30, 2018



Student: Jordan Levin, 9th Grade
School: Longview School



September 28, 2018

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 (the Board) for the fiscal year ended June 30, 2018.

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 are also 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. (the 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 the Board's 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, eliminate waste, and to measure process performance in meeting the goals of the Board's strategic planning framework.

Factors Affecting Financial Condition

Local economy—Montgomery County's economy experienced a mixed economic performance during the second quarter of Calendar Year (CY) 2018 according to Montgomery County's Office of Finance. The reasons for a mixed performance include an increase in resident employment, a slight increase in the unemployment rate, a decrease in existing home sales, and an increase in medium prices for an existing home in Montgomery County.

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 2018, Montgomery County's resident employment for the second quarter of CY 2018 increased by nearly 3,800 (+0.7 percent) from the second quarter of CY 2017. On a fiscal year basis, resident employment was slightly over

541,000 in Fiscal Year (FY) 2018 compared to 534,700 in FY 2017. This was an increase of 1.2 percent.

The Office of Finance's report also indicated that the county's average monthly unemployment rate during the second quarter of CY 2018 was 3.3 percent and slightly above the rate during the second quarter of CY 2017 when it was 3.2 percent. Throughout the year, the county's unemployment rate remained one of the lowest in the state of Maryland.

The county reports that after a weak performance in the second quarter of CY 2017, construction of residential housing units experienced a strong performance in the second quarter of CY 2018. Construction of single-family homes increased 12.4 percent and construction of multi-family units increased over 200 percent. Residential construction starts in the county added a total value of nearly \$359 million during the second quarter of CY 2018 (+145.3 percent) compared to the second quarter of CY 2017.

The number of non-residential project starts increased by 53 percent in the second quarter of CY 2018 compared to the second quarter of CY 2017. The total value of these projects was \$368.6 million (+110.1 percent).

During the second quarter of CY 2018, existing home sales decreased by a modest 0.5 percent compared to one year ago and this follows a 2.5 percent decrease in the second quarter of CY 2017 compared to the second quarter of CY 2016. However, median sales prices for existing homes increased by 5.8 percent during the second quarter of CY 2018. This follows a 3.9 percent increase during the second quarter of CY 2017 compared to the prior year.

Finally, using sales tax receipts as a measure of retail sales in the county, the Department of Finance reports that retail sales decreased by 1.6 percent in FY 2018. This is mostly attributed to the sale of non-durable goods (e.g., food, beverage, apparel, general merchandise, utilities and transportation). Sales of durable goods (e.g., furniture and appliances) decreased by 0.1 percent in FY 2018.

Long-term financial planning—Montgomery County's Department of Finance expects the county's payroll employment to grow at an average annual rate of 0.9 percent per year through CY 2024, an increase of 0.1 percent from its projection one year ago. This is slightly below the average annual growth rate of 1.1 percent between CY 2010 and CY 2017.

The Department assumes that resident employment will increase by an average annual rate of 0.7 percent from CY 2017 to CY 2024. This is below the average annual rate of 1.2 percent between CY 2010 and CY 2017.

Total personal income in Montgomery County is projected to grow at an average annual rate of 4.0 percent from CY 2017 through CY 2024. By CY 2024, personal income in the county is estimated to reach \$115.2 billion.

Finally, the Department of Finance assumes that the overall regional inflation index will increase from 1.25 percent in CY 2017 to 2.45 percent by CY 2024.

Negotiated agreements—The bargaining units for Montgomery County Public Schools (MCPS) are the Montgomery County Education Association (MCEA), representing certificated non-administrative employees; Service Employees International Union (SEIU) Local 500, representing supporting services employees; and the Montgomery County Association of Administrators and Principals/Montgomery County Business and Operations Administrators (MCAAP/MCBOA), representing certificated and non-certificated administrators and non-certificated supervisory employees in separate units. The two MCAAP units are covered in a single contract for both units. During FY 2017, the Board of Education 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, 2017, through June 30, 2020.

Based on the three agreements, employees received a general wage increase of one percent effective July 1, 2017, which is reflected in the FY 2018 budget. The agreements ratified between April and June 2017 also provide annual step increases and longevity increases for FY 2018 based on eligibility criteria.

As part of the ratified agreements, the second and third years (FY 2019 and FY 2020) of the three-year union contracts are open for negotiations on wages. Negotiations with our three employee associations were completed and ratified, and the contracts approved by the Board of Education on April 24, 2018. The agreements addressed salary and wage increases for employees for fiscal years 2019 and 2020. The two-year agreement reflects the school system's commitment to ensuring MCPS can hire and retain a talented and highly qualified workforce. Key highlights of the two-year agreements are as follows:

Agreement between MCAAP/MCBOA and MCPS for the School Years 2018-2020:

Effective July 1, 2018

1. Salary scales will be increased by 2.0 percent.
2. All eligible employees will receive scheduled step increases.

Effective July 1, 2019

1. Salary scales will be increased by 1.0 percent.
2. All eligible employees will receive scheduled step increases.

Agreement between MCEA and MCPS for School Years 2018-2020:

Effective July 1, 2018

1. All eligible employees will receive scheduled step increases.
2. Substitute teacher pay scales will be increased by 1.0 percent.
3. Teachers paid on off-scale salary code 50 will be moved to step 25 on the salary schedule and teachers paid on off-scale code 60 will move to off-scale code 55.
4. Members of the bargaining unit who were members during FY 2011 and missed a scheduled step increase during FY 2012, and who continue to serve in a position comparable to the position held in FY 2012, will receive salary scale credit for the missed step, effective January 5, 2019.
5. A unit member whose annual salary rate does not increase over that unit member's FY 2018 annual salary rate as a result of any of the aforementioned agreements will receive

a one-time bonus payment of \$900, pro-rated by total full time equivalent (FTE)—paid in the October 26, 2018, paycheck.

Effective July 1, 2019

1. Salary scales will be increased by 1.0 percent.
2. All eligible employees will receive scheduled step increases.
3. It is recognized that approximately \$6.5 million in additional annualized costs will occur during FY 2020 as a result of the delayed implementation of the missed salary step makeup during FY 2019.

Agreement between SEIU Local 500 and MCPS for School Years 2018-2020:

Effective July 1, 2018

1. Members of the bargaining unit who were members during FY 2011 and missed a scheduled step increase during FY 2012 and whose primary position continues to be at the same grade as, or lower than, the position held in FY 2012 will receive salary scale credit for the missed year if the missed step impacted the current rate of pay.
2. All eligible employees will receive scheduled step increases.
3. Off-scale steps 50 and 60 will be added to the salary scales as regular steps 13 and 17. Unit members on step 10 on June 30, 2018, will be placed on steps 10 through 17 based on total time on step 10.
4. Unit members whose hourly pay rate does not increase over that unit member's FY 2018 hourly pay rate as a result of any of the aforementioned agreements will receive a one-time bonus payment of \$900, pro-rated by total FTE—paid in the October 26, 2018, paycheck.

Effective July 1, 2019

1. Salary scales will be increased by 1.0 percent.
2. All eligible employees will receive scheduled step increases.

Enrollment—Public school enrollment has increased by 36,511 students in the last 20 years. Enrollment increases during this period are a product of a strong regional economy and housing market. Annual increases in enrollment have averaged over 2,500 students per year in the past five years. The international economic decline observed in the late 2000s and early 2010s impacted MCPS enrollment trends. More students enrolled in public school from private schools, housing occupancy increased in some areas of the county, and migration out of the county decreased because economic conditions were more severe elsewhere. Since the 2007–2008 school year, enrollment has increased by 23,801 students. For the 2017–2018 school year, MCPS official enrollment totaled 161,546 students, an increase of 2,536 students from the prior year. Total school system enrollment is projected to increase by 7,466 students by the 2023–2024 school year.

School capacity continues to be an issue, as the Board continues 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. For the 2017–2018 school year, 426 relocatable classrooms were in use to address overutilization at various schools throughout the system, with 346 located at elementary schools. To relieve overutilization of schools, the adopted Capital Improvements Program includes funding for the planning, design, and/or construction of 19 elementary school capacity projects, six middle

school capacity projects, and seven high school capacity projects, as well as funding for six revitalization/expansion projects. In the next six years, based on the adopted Capital Improvements Program, a total of 395 classrooms will be added through new schools, 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—Five high schools made the *U.S. News & World Report 2018* list of Best High Schools. The Board had the top three 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 36,463 Advanced Placement (AP) exams taken by the Board’s students in 2017. Students earned a college-ready score (3 or higher) on 73.4 percent of those exams. In 2017, the percentage of AP exams taken by the Board’s African American students (49.6 percent) that earned college-ready scores of 3 or higher is significantly higher than the percentages of 34.8 percent in Maryland and 28.4 percent in the nation. In 2017, the percentage of AP exams taken by Hispanic students that earned college-ready scores of 3 or higher (58.5 percent) was greater than the percentage of exams for Hispanic students in Maryland (54.4 percent) and the nation (40.9 percent).

Return on Investment—More than \$364 million in scholarships were awarded to students in the Class of 2018.

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, 2017, for the fourteenth 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 37 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 2018 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

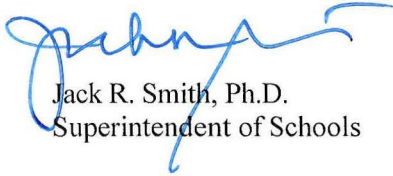
Members of the Board of Education and
Citizens of Montgomery County, Maryland

September 28, 2018

Acknowledgements


The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Office of the Chief Financial Officer. 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

JRS:ND:rgr



Nicola Diamond
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Montgomery County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Board of Education of Montgomery County

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE
Executive Director

BOARD OF EDUCATION OF MONTGOMERY COUNTY LISTING OF OFFICIALS

MEMBERS OF THE BOARD OF EDUCATION

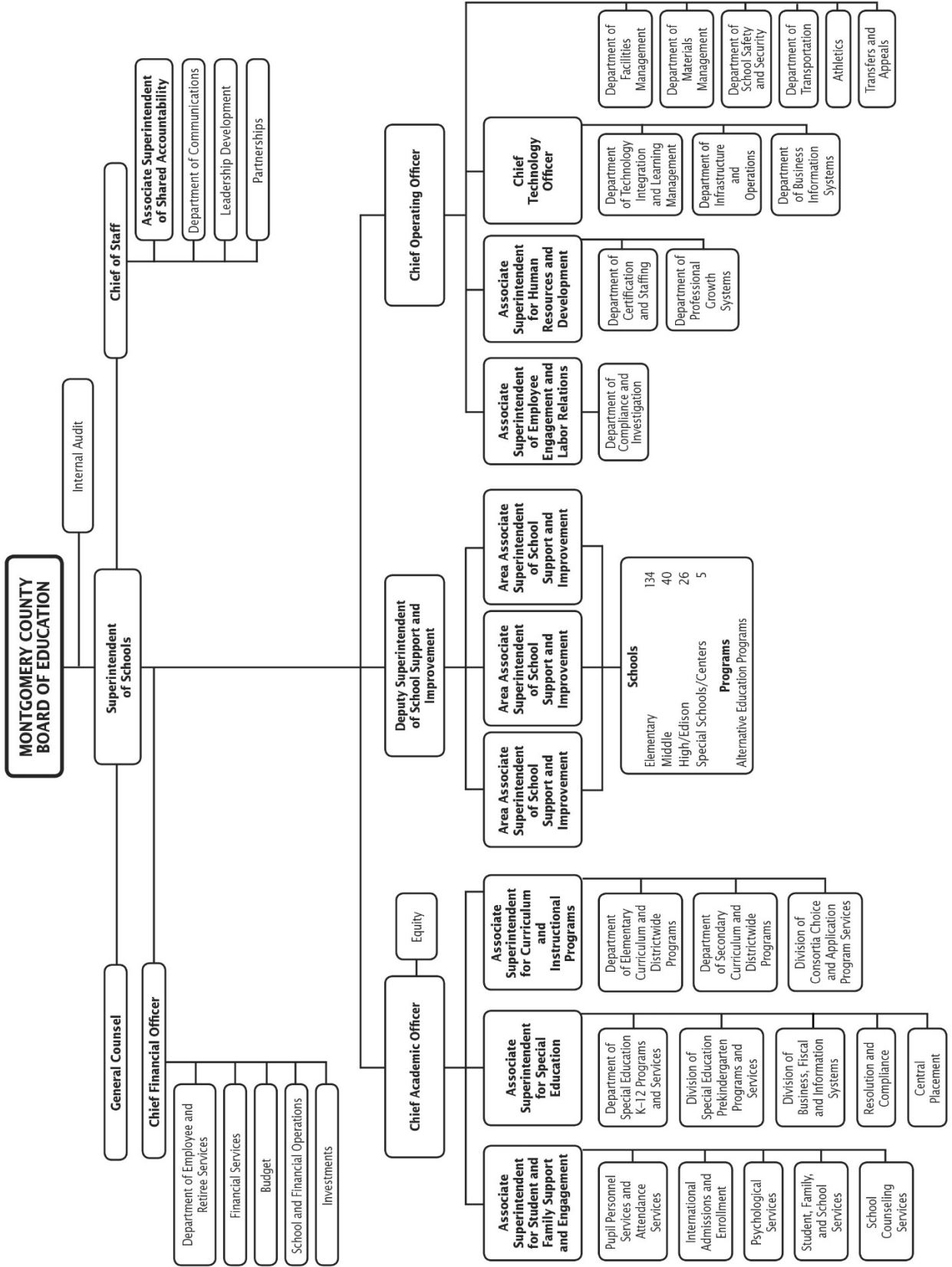
Title	Name	Representation
President	Michael A. Durso	District 5
Vice President	Shebra L. Evans	District 4
Other Members	Jeanette E. Dixon	Member-At-Large
	Dr. Judith R. Docca	District 1
	Patricia O’Neill	District 3
	Jill Ortman-Fouse	Member-At-Large
	Rebecca Smondrowski	District 2
Student Member	Ananya Tadikonda	Student Member

EXECUTIVE STAFF

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

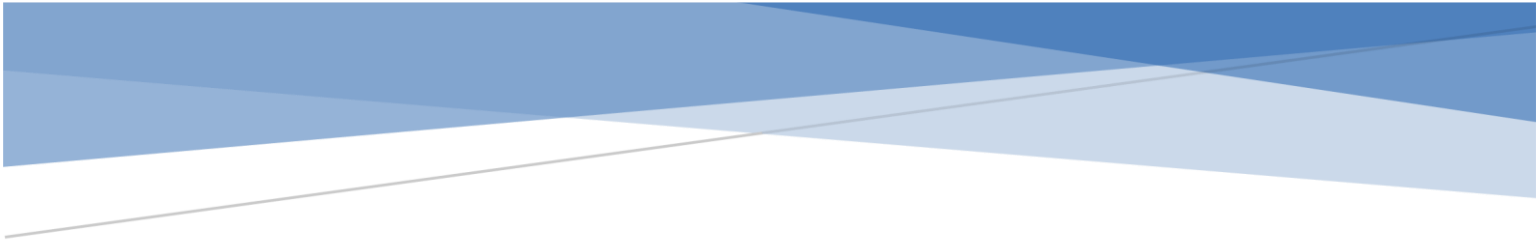
- Maria V. Navarro, Ed.D. Chief Academic Officer
- Kimberly A. Statham, Ph.D. Deputy Superintendent of School Support and Improvement
- Andrew M. Zuckerman, Ed.D. Chief Operating Officer
- Joshua I. Civin General Counsel
- Nicola Diamond Chief Financial Officer
- Henry R. Johnson, Jr., Ed.D. Chief of Staff
- Jonathan T. Brice, Ed.D. Associate Superintendent, Office of Student and Family Support and Engagement
- Peter Cevenini Chief Technology Officer
- Sherwin Collette Associate Superintendent, Office of Employee Engagement and Labor Relations
- Betty J. Collins, Ed.D. Acting Associate Superintendent, Office of Curriculum and Instructional Programs
- E. Lancellotti Dempsey Associate Superintendent, Office of Human Resources and Development
- Cheryl L. Dyson Area Associate Superintendent
- Donna S. Hollingshead, Ed.D. Associate Superintendent of School Administration
- Kevin E. Lowndes Associate Superintendent, Office of Special Education
- Diane D. Morris Area Associate Superintendent
- Darryl L. Williams, Ed.D. Area Associate Superintendent
- Janet S. Wilson, Ph.D. Associate Superintendent, Office of Shared Accountability

MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION—FY 2019





Student: Nahomy Guzman Bonilla, 4th Grade
School: Whetstone Elementary School
Art Teacher: Carolyn Bauer



FINANCIAL SECTION

Board of Education of Montgomery County
June 30, 2018

INDEPENDENT AUDITORS' REPORT

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Change in Accounting Principle

As described in Note XVII to the financial statements, the Board adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Other Pension Employee Benefits – an amendment of GASB statement No. 45*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 17 through 31 and the required supplementary information on pages 87 through 97, as listed in the table of contents, 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 section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, 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 solely 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 the effectiveness of the Board's 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
September 26, 2018

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, 2018. 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– 7 of this report.

Financial Highlights

- The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows at June 30, 2018, by \$79.0 million, which represents its net position.
- The Board's net position decreased during the year by \$1,650.7 million. This was due to a restatement of net position by a negative \$1,837.8 million, slightly offset by a current year increase of \$187.1 million.
- 78 percent of capital asset additions were directed toward instructional facilities.
- The Board successfully generated \$28.2 million in Fiscal Year (FY) 2018 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 Montgomery County Public Schools (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 33–35 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 36–40 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 41–43 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 Other Postemployment Benefits (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 44–45 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 46–86 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 98-110 of this report.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 260.2	\$ 245.2	\$ 19.7	\$ 15.3	\$ 279.9	\$ 260.5
Capital assets	2,922.4	2,786.7	6.6	5.5	2,929.0	2,792.2
Total assets	3,182.6	3,031.9	26.3	20.8	3,208.9	3,052.7
Deferred outflows of resources	270.4	267.6			270.4	267.6
Total assets and deferred outflows	3,453.0	3,299.5	26.3	20.8	3,479.3	3,320.3
Long-term liabilities outstanding	2,860.3	1,236.1	2.8	11.6	2,863.1	1,247.7
Other liabilities	225.1	233.7	4.8	4.8	229.9	238.5
Total liabilities	3,085.4	1,469.8	7.6	16.4	3,093.0	1,486.2
Deferred inflows of resources	307.3	104.4			307.3	104.4
Total liabilities and deferred inflows	3,392.7	1,574.2	7.6	16.4	3,400.3	1,590.6
Net Position:						
Net investment in capital assets	2,884.8	2,750.0	6.6	5.5	2,891.4	2,755.5
Restricted for instructional programs	0.3	0.3			0.3	0.3
Unrestricted	(2,824.8)	(1,025.0)	12.1	(1.1)	(2,812.7)	(1,026.1)
Total net position	\$ 60.3	\$ 1,725.3	\$ 18.7	\$ 4.4	\$ 79.0	\$ 1,729.7

*Amounts in this table have not been restated for the implementation of GASB 75.

Government-wide Financial Analysis

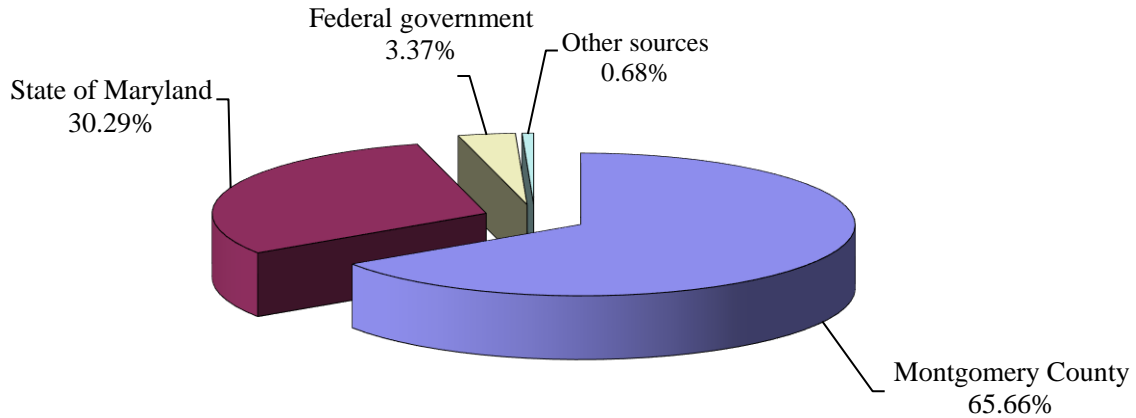
Net position may serve as a useful indicator of a government's financial position. The Board's net position, the amount by which assets and deferred outflows exceed liabilities and deferred inflows, decreased \$1,650.7 million to \$79.0 million. The decrease came from governmental activities, which decreased by \$1,665.0 million to \$60.3 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 \$134.8 million to \$2,884.8 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 \$1,786.6 million to a \$2,812.7 million deficit at June 30, 2018. The increase in unrestricted net deficit is wholly attributed to the effect of the implementation of GASB Statement 75. GASB 75 requires that organizations report the full amount of the net OPEB liability (NOL) on the face of the financial statements. The NOL is defined as the actuarially determined liability of employers to plan members for future benefits provided through a defined benefit OPEB plan. Prior to this implementation, an OPEB obligation was being reported, but that amount did not represent the full liability. As such, a restatement of net position was required on the financial statements. That restatement accounted for the entire decrease in this year's net position. Other long-term liabilities include compensated absences which increased \$2.77 million. The pension liability actually decreased by \$76.4 million due to updates in assumptions and an increase in investment.

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.

Revenues by Source - Governmental Activities



Governmental activities. Governmental activities unrestricted net deficit increased \$1.8 billion to a deficit of \$2.8 billion at June 30, 2018. The increase in unrestricted net deficit arose primarily from the \$1.8 billion restatement of net position required per GASB 75, as previously mentioned.

Total revenues for the Board's governmental activities increased \$85.5 million (3.0 percent). Intergovernmental revenues increased \$66.6 million (2.5 percent), and operating grants revenues increased \$7.7 million (10.1 percent). Intergovernmental revenues from Montgomery County increased \$44.1 million (2.4 percent). The increase is primarily due to an increase of \$39.9 million in general operating revenue and an increase of \$4.2 million in capital projects revenue in 2018. Intergovernmental revenue from the State of Maryland increased \$20.9 million (2.4 percent), related to an increase of \$11.5 million in unrestricted *Bridge to Excellence* formula-driven grants, and an increase of \$9.3 million in construction funds. Federal intergovernmental revenue increased \$1.6 million, 8.3 percent, largely due to increases in Medicare Part D subsidies.

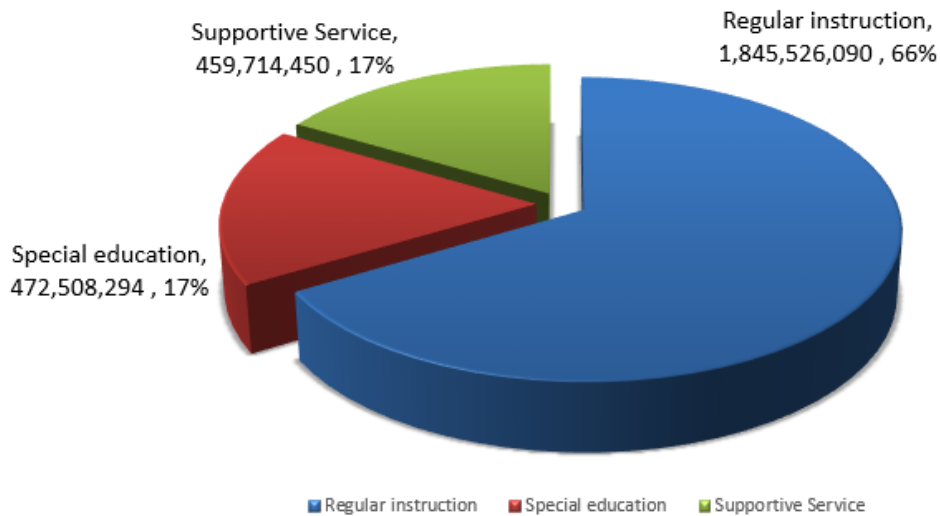
Board of Education of Montgomery County Changes in Net Position
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Revenues:						
Program revenues:						
Charges for services	\$ 3.4	\$ 4.2	\$ 32.0	\$ 26.5	\$ 35.4	\$ 30.7
Operating grants and contributions	84.1	76.4	44.1	44.1	128.2	120.5
Capital grants and contributions	70.2	72.6	1.5	1.9	71.7	74.5
General revenues:						
Intergovernmental	2,786.9	2,720.3			2,786.9	2,720.3
Other	14.7	0.3			14.7	0.3
Total revenues	<u>2,959.3</u>	<u>2,873.8</u>	<u>77.6</u>	<u>72.5</u>	<u>3,036.9</u>	<u>2,946.3</u>
Expenses:						
Regular instruction	1,616.0	1,633.0			1,616.0	1,633.0
Special education	472.5	468.5			472.5	468.5
School administration	212.5	217.9			212.5	217.9
Student personnel services	17.0	17.1			17.0	17.1
Health services						
Student transportation	140.2	140.7			140.2	140.7
Operation of plant	172.4	170.8			172.4	170.8
Maintenance of plant	74.6	71.5			74.6	71.5
Administration	68.1	65.0			68.1	65.0
Community services	3.2	3.2			3.2	3.2
Interest on capital leases	1.2	1.0			1.2	1.0
Food services			57.7	58.1	57.7	58.1
Real estate management			3.3	3.2	3.3	3.2
Field trips			2.2	2.0	2.2	2.0
Entrepreneurial activities			8.8	3.9	8.8	3.9
Total expenses	<u>2,777.7</u>	<u>2,788.7</u>	<u>72.0</u>	<u>67.2</u>	<u>2,849.7</u>	<u>2,855.9</u>
Increase (decrease) in net position	181.6	85.1	5.6	5.3	187.2	90.4
Net position - Beginning	<u>1,725.3</u>	<u>1,640.2</u>	<u>4.4</u>	<u>(0.9)</u>	<u>1,729.7</u>	<u>1,639.3</u>
Net position – Beginning, restated	<u>(121.3)</u>	<u>1,640.2</u>	<u>13.1</u>	<u>(0.9)</u>	<u>(108.2)</u>	<u>1,639.3</u>
Net position - Ending	<u>\$ 60.3</u>	<u>\$ 1,725.3</u>	<u>\$ 18.7</u>	<u>\$ 4.4</u>	<u>\$ 79.0</u>	<u>\$ 1,729.7</u>

Total expenses for the Board governmental activities decreased \$11.0 million (0.4 percent) to \$2,777.7 million. In 2018, instructional programs expenses accounted for 83 percent, (84 percent in 2017), and support services accounted for 17 percent (16 percent in 2017) of total governmental activities expenses.

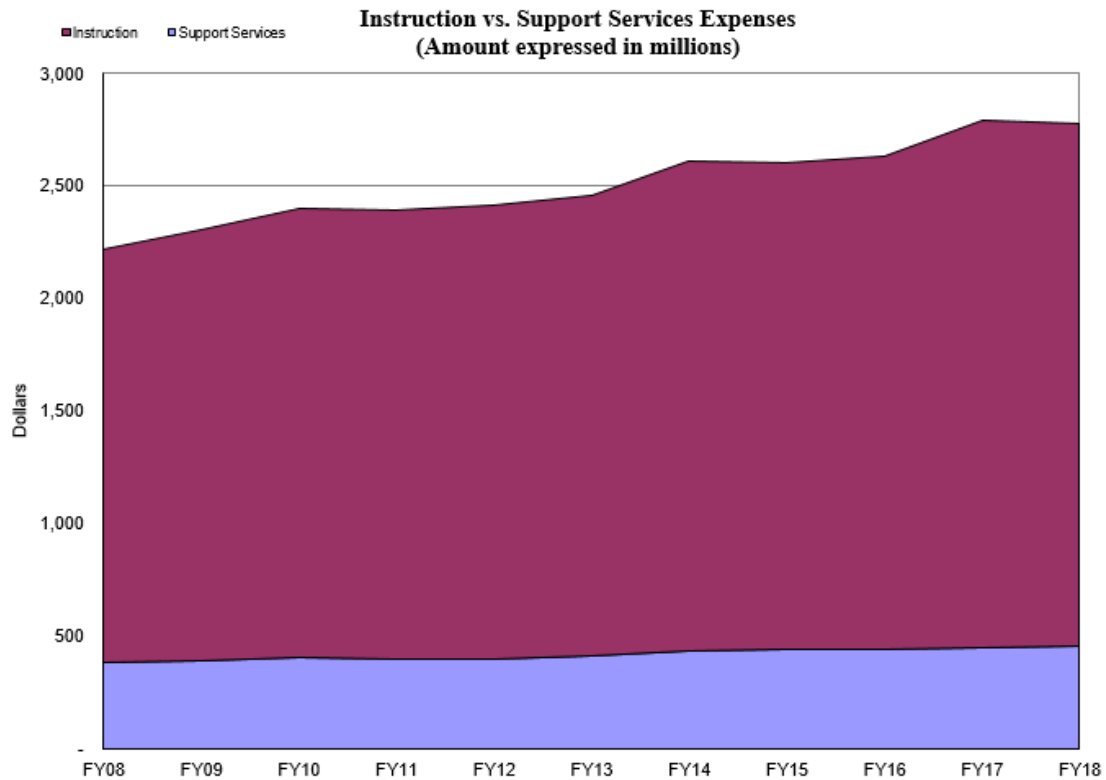
*Amounts in this table have not been restated for the implementation of GASB 75.

Expenses by Function - Governmental Activities



Special education service and instructional expenses decreased by 0.8 percent as the result of internal savings and cost reduction programs which are the primary source for funding instructional program initiatives. The combination of these two functions was 83 percent compared to the cost of supportive services which was 17 percent. Employee healthcare benefits contributions decreased \$11.2 million (3.7 percent) due to the fact that there were lower than anticipated expenses. Other postemployment healthcare benefits contribution decreased \$5.7 million due to the initiation of a mid-year savings plan by the County, which funds the OPEB Trust on behalf of the Board. The Council also agreed with the county executive to provide \$27.2 million from the county's Consolidated OPEB Trust Fund to cover current retiree health benefits expenditures in FY 2018.

General fund salaries increased \$37.7 million (2.4 percent) primarily due to steps and longevity increases in FY 2018. Based on agreements with the three bargaining units, employees received a general wage increase of one percent, effective July 1, 2017, which was reflected in the FY 2018 budget. In addition, part of the general fund salary increase was due to the addition of a net 105 positions in the approved FY 2018 budget to accommodate growth and strategic priorities.

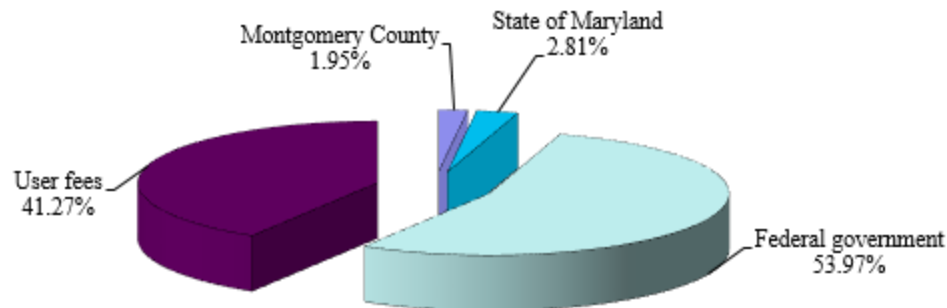


Business-type activities. Business-type activities increased the Board’s net position by \$5.6 million. Total revenues increased \$5.1 million (7.1 percent) to \$77.6 million. Charges for services increased \$5.5 million (20.8 percent) due to an increase of \$0.4 million on sale of food and \$4.1 million in the school bus safety program where the number of cameras and tickets more than doubled over the prior year. Nonoperating revenues in the Food Services fund experienced a small decrease due to decreased participation in the After School Snack program. Additionally, Maryland State Department of Education (MSDE) funded the Fresh Fruit and Vegetable program at a lower amount, thus decreasing participation, and a decrease in the Supper program combined to reduce federal funds by \$0.3 million.

Total expenses increased \$4.8 million (7.2 percent). Food services operating expenses decreased \$0.4 million (0.68 percent), entrepreneurial activities expenses increased \$4.9 million (126 percent), and Real Estate Management and Field Trips had a combined increase of 0.3 million. Food purchases showed a slight decrease in FY 2018 as compared with FY 2017. Salary costs increased \$0.9 million (4.1 percent) due to COLA and step increases. Other charges decreased \$1.4 million (10.4 percent) due to the decision to remove the previous net OPEB obligation and to start recording the net OPEB liability in the governmental fund.

Overall, with the changes noted above, the Food Services fund had a change in net position of \$5.3 million. In addition, the beginning net position of the fund increased by \$8.8 million due to the decision of recording the full net OPEB liability in the governmental funds. In total, the net position of the fund went from \$3.2 million on June 30, 2017 to \$17.3 million on June 30, 2018.

Revenues by Source - Business-type Activities



Financial Analysis of the Board's Funds

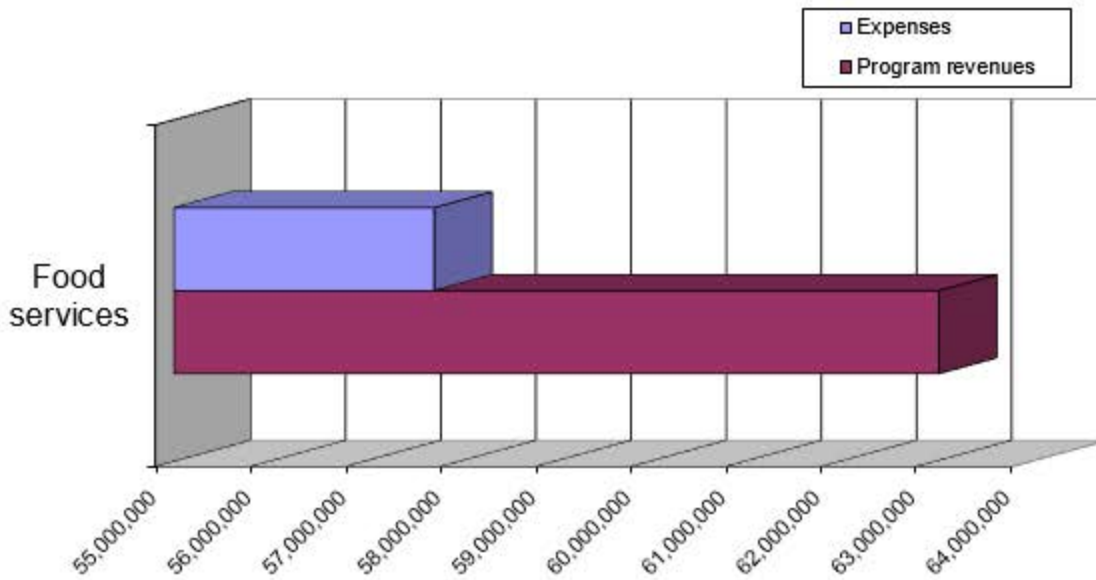
The Board uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions.

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.

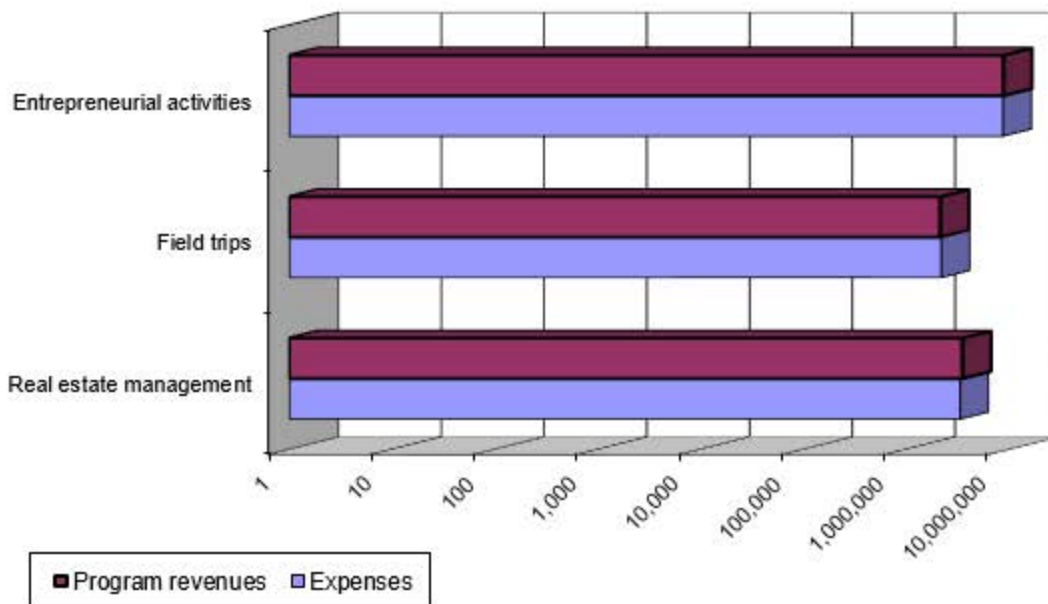
As of the end of the current fiscal year, the Board's governmental funds reported combined ending fund balance of \$40.4 million, an increase of \$11.8 million from the prior year. Fund balance restricted for the instructional TV program is \$0.3 million, the same as the prior year.

The general fund is the principal operating fund of the Board. At June 30, 2018, fund balance was \$40.1 million. Nonspendable fund balance was \$8.3 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs increased by \$6.5 million to \$14.8 million. Unassigned fund balance increased by \$4.9 million to \$17.1 million at June 30, 2018. The capital projects' fund balance is zero. This is because project budgets are fixed depending upon capital project funding adopted by the county, state and federal governments. A more detailed discussion of capital projects spending found in the Capital Assets section of MD&A.

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



**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 2018 was \$2,477.6 million. The increase of \$26.8 million from the original budget was a result of \$6.5 million in supplemental grant funding, \$12.0 million in unspent grant expenditures carried forward from FY 2017 and \$8.3 million in prior year encumbrances.

Actual budgetary fund balance increased by \$5.4 million to \$31.8 million. The increase in fund balance resulted primarily from monitoring discretionary expenses and higher than budgeted instructional salary lapse.

Actual revenues were \$18.3 million under budget for the year. This was the result of the \$18.3 million under budget on federal, Maryland and local grants. The restricted revenue shortfall was comprised of \$1.2 million estimated restricted grant activity that did not materialize, and \$17.1 million in unrealized revenue for grants that carried forward into FY 2019.

Actual expenditures were \$46.5 million under budget. Restricted expenditures were \$18.3 million less than the budget, consisted of \$17.1 million in unspent funds for grants that carry forward into FY 2019, and \$1.2 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$28.2 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, 2018, the Board's investment in capital assets for its governmental and business-type activities amounted to \$2,929.0 million, net of accumulated depreciation. This amount represented a net increase of \$136.8 million or 4.9 percent from last year. The net value of buildings, less accumulated depreciation, increased \$71.2 million and construction in progress increased \$0.9 million.

Board of Education of Montgomery County Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 101.1	\$ 87.7	\$ -	\$ -	\$ 101.1	\$ 87.7
Buildings	2,312.1	2,240.9			2,312.1	2,240.9
Improvements other than buildings	339.8	292.5			339.8	292.5
Vehicles and equipment	79.7	76.8	6.6	5.5	86.3	82.3
Construction	89.7	88.8			89.7	88.8
Total	\$ 2,922.4	\$ 2,786.7	\$ 6.6	\$ 5.5	\$ 2,929.0	\$ 2,792.2

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2018, the Board added 28 classrooms, including 11 classrooms at Brown Station Elementary School, seven classrooms at Diamond Elementary School, and 17 classrooms at Wheaton Woods Elementary School. Furthermore, the Board

added 46 classrooms with the opening of Silver Creek Middle School. In FY 2019, the Board will add 75 classrooms associated with the construction of building addition projects at Bethesda-Chevy Chase High School (33), North Bethesda Middle School (17), Lucy V. Barnsley Elementary School (11), and Kensington-Parkwood Elementary School (14). The Board will add 31 classrooms with the opening of Bayard Rustin Elementary School.

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

Long-term debt. At June 30, 2018, the Board had \$59.7 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 \$31.2 million during FY 2018. Principal payments on existing capital leases were \$31.2 million during the current year.

Additional information on the Board's long-term debt can be found in notes VIII and IX 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 six additional initiatives that significantly impact the Board.

Postemployment Healthcare Benefits. The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension* in June 2015. The Statement was effective in FY 2018 for the Board. The Statement requires governments to report a liability on the face of financial statements for the OPEB they provide. This Statement supersedes GASB 45, which only required governments to report a portion of the liability, and not on the face of the statements. Previously, the Board had created the OPEB Plan Trust to account for its OPEB activity. Additional information about the Board's OPEB funding can be found in note XIII 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 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 County Council established the consolidated retiree health benefit trust (CRHBT) 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's annual UAAL contribution has been made by the County Council directly to the CRHBT rather than to the Board OPEB Plan Trust. The previous 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 \$63.1 million and \$55.2 million respectively, to the CRHBT in FY 2017 and FY 2018 on behalf of the Board. In FY 2018, the Board had \$55.8 million in total retiree pay-as-you-go funding, with \$28.6 million in tax supported funding, and \$27.2 million in assets from the county's Consolidated OPEB Trust. In FY 2019, the county budget authorized \$60.3 million in total MCPS retiree

pay-as-you-go funding through \$33.1 million in tax supported funding and \$27.2 million from the Board's portion of the CRHBT. The Board's OPEB pre-funding is appropriated directly to the CRHBT and is not part of the Board's budget request. Up until FY 2017, the County had been funding the Board's OPEB actuarially determined contribution. However, in FY 2018 the contribution was decreased due to a self-imposed savings plan.

Additional information about the Board's implementation of GASB 74 and 75 can be found in notes XIII and XIV to the financial statements.

No Child Left Behind Act of 2001 (NCLB). In 2002, the United States Congress approved the NCLB Act. This marked the most fundamental revision of federal education legislation since the adoption of the *Elementary and Secondary Education Act of 1965 (ESEA)*. 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.

Every Student Succeeds Act of 2015 (ESSA). On December 10, 2015, the ESSA was signed by President Obama. This reauthorization of the ESEA, formerly known as No Child Left Behind, provides a long-term, stable federal policy that gives states additional flexibility and encourages states, local school systems, and schools to innovate while at the same time holding all accountable for results. Specifically, ESSA requires states to do the following:

- Establish State standards, set academic goals, and assess progress toward those goals for all students and schools;
- Measure and report performance of all students, schools, and local school systems;
- Identify and support schools in need of improvement;
- Support professional development and growth for educators;
- Support students to ensure a well-rounded education.

The Maryland State Department of Education is working with the ESSA Stakeholder Committee to participate in the review of the law and development of Maryland's ESSA Plan.

Bridge to Excellence in Public Schools Act of 2002 (BTE). The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The BTE Act (Senate Bill 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 2018, the Montgomery County Board of Education received an increase of \$26.8 million in state aid compared to FY 2017. All BTE Act categories received increases. The Foundation Grant saw an increase of \$13.0 million while Limited English Proficiency saw an increase of \$8.8 million. Students with disabilities (formula) received an increase of \$1.5 million. The Geographic Cost of Education Index amount increased by \$857 thousand. Compensatory Education increased by \$1.6 million. Another state aid category for student transportation increased by \$1.2 million. Finally, the amount of state reimbursement for students with disabilities increased by \$972 thousand over FY 2017.

Comprehensive Master Plan. The BTE Act, in accordance with the Annotated Code of Maryland §5-401, requires Local Education Agencies (LEAs) to develop and submit an annual update to the comprehensive master plan to MSDE for review. The annual update includes reporting requirements in accordance with annotated Code of Maryland §7-203.3, and Chapter 702, Commission on Innovation and Excellence in Education. In alignment with the Annotated Code of Maryland § 5-401, Annotated Code of Maryland §7-203.3, Chapter 702, and the MSDE's vision to create a world class system to prepare all students for college

and career, the comprehensive Master Plan Annual Update should include goals, objectives, and strategies to promote academic excellence among all students.

Reported strategies are to address any disparities in achievement for students requiring special education services, as defined in §5-209 of the Education Article; students with limited English proficiency, as defined in §5-208 of the Education Article; and students failing to meet, or failing to make progress towards meeting State performance standards. In the absence of State performance standards, LEAs are required to report on any segment of the student population that is, on average, performing at a lower achievement level than the student population as a whole.

In 2016, the Maryland General Assembly passed House Bill (HB) 999, the Commission on Innovation and Excellence in Education, and HB 412, Assessment Administration and Provision of Information. Specifically, HB 999 outlined the reporting structure of the BTE Master Plan Annual Update for submission in both 2016 and 2017. HB 999 revised the requirements that need to be reported in the submission for these two particular years. Based on HB 999, the Master Plan Annual Update shall only include the goals, objectives, and strategies regarding the performance of three categories of students. These include: (1) students requiring special education, as defined in Section 5-209 of the Education Article; (2) students with limited English proficiency as defined in Section 5-208 of the Education Article; and (3) students failing to meet, or failing to make progress toward meeting state performance standards, including any segment of the student population that is, on average, performing at a lower achievement level than the student population as a whole.

The other bill, HB 412, outlined assessment reporting details specified in the new Education Article Section 7-203.3 for each assessment administered in the school district, and the information that shall be provided in the Master Plan Annual Update for each administered assessment. For each assessment, the Board and other LEAs are required to provide the following information: (1) the title of the assessment; (2) the purpose of the assessment; (3) whether the assessment is mandated by a local, state, or federal entity; (4) the grade level or subject area, as appropriate, to which the test is administered; (5) the testing window of the assessment; and (6) whether accommodations are available for students with special needs and what those accommodations are.

In addition to these changes in the Master Plan Annual Update, the structure of the Master Plan has been revised. Part II of previous Comprehensive Master Plan submissions reflected budget narrative and details of Federal grant-titled programs including Title I, Parts A and D; Title II; Title III, Part A; as well as the State Fine Arts Grant Program, and other reporting requirements. This budget section has been separated from the rest of the Master Plan Annual Update and will now be submitted separately as the Federal and State Grant Applications and other Reporting Requirements. This has its own submission schedule distinct from when the Master Plan Annual Update is due to MSDE.

Maintenance of Local Effort (MOE). In 2012, the Maryland General Assembly adopted Senate Bill (SB) 848 that clarified and strengthened requirements for counties to maintain the local financial commitment to public schools. SB 848 provides significant protection of local funding for public schools, especially during periods of economic challenges. The law requires all counties and the City of Baltimore to provide at least as much local tax revenue per student as the previous fiscal year. Instead of penalizing 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 MSDE, but also limits the amount of the possible waiver. Montgomery County has met MOE requirements each year.

Following several years of being funded at the minimum level required by the MOE law, in FY 2017, the Board was funded at \$89,965,802 above MOE. This increased the cost per pupil from \$9,749 to \$10,637. Along with this increase, the County Council's appropriation provided \$37.9 million of accelerators that allows the Board to reduce class sizes in many classrooms across the district and accelerate efforts to close the achievement gap. In FY 2018, the County Council funded MCPS at \$21.2 million above MOE. This increased the cost per pupil to \$10,765. The funding supported \$11.0 million in strategic accelerators in support of the five strategic priorities including (1) improving teaching and learning; (2) focus on learning, accountability, and results; (3) focus on human capital; (4) focus on community partnerships and engagement; and (5) focus on operational excellence.

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, 850 Hungerford Drive, Room 167, Rockville, Maryland 20850.



BASIC FINANCIAL STATEMENTS

Board of Education of Montgomery County
June 30, 2018

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 107,781,342	\$ 1,082,029	\$ 108,863,371	\$ -
Cash and cash equivalents		11,817,449	11,817,449	244,752
Investments - cash equivalents	71,704,383		71,704,383	5,890,414
Accounts receivable:				
Montgomery County	21,061,299	4,902	21,066,201	
State of Maryland	13,267,539	263,791	13,531,330	
Federal government	7,360,655	2,110,526	9,471,181	
Other	31,112,425	1,261,267	32,373,692	
Due from component unit	57,476		57,476	
Internal balances	(568,122)	568,122		
Inventories	7,904,910	2,593,148	10,498,058	
Prepays	359,573		359,573	
Due from employees	106,443		106,443	
Capital assets (not being depreciated):				
Land	101,077,760		101,077,760	
Construction in progress	89,715,477		89,715,477	
Capital assets (net of accumulated depreciation):				
Buildings and additions	2,312,122,706		2,312,122,706	
Improvements other than buildings	339,771,810		339,771,810	
Vehicles and equipment	79,739,651	6,625,622	86,365,273	
Total assets	3,182,575,327	26,326,856	3,208,902,183	6,135,166
Deferred Outflows Of Resources				
Pension deferrals	158,625,591		158,625,591	
OPEB deferrals	111,778,110		111,778,110	
Total deferred outflows of resources	270,403,701	-	270,403,701	-
Liabilities				
Accounts payable and other current liabilities	156,819,479	1,355,226	158,174,705	
Due to primary government				57,476
Due to external parties	30,730,116		30,730,116	
Unearned revenue	5,257,920	3,128,695	8,386,615	
Noncurrent liabilities:				
Due within one year	32,277,377	310,045	32,587,422	
Due in more than one year	2,860,332,686	2,854,682	2,863,187,368	
Total liabilities	3,085,417,578	7,648,648	3,093,066,226	57,476
Deferred Inflows Of Resources				
Pension deferrals	58,301,970		58,301,970	
OPEB deferrals	249,002,567		249,002,567	
Total deferred inflows of resources	307,304,537	-	307,304,537	-
Net Position				
Net investment in capital assets	2,884,728,055	6,625,622	2,891,353,677	
Restricted for:				
Instructional Programs, Expendable	328,504		328,504	938,621
Scholarships, Non-Expendable				821,862
Unrestricted	(2,824,799,646)	12,052,586	(2,812,747,060)	4,317,207
Total net position	\$ 60,256,913	\$ 18,678,208	\$ 78,935,121	\$ 6,077,690

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,616,010,500	\$ 3,093,640	\$ 39,616,777	\$ 47,441,143
Special education	472,508,294	264,592	37,415,296	
School administration	212,525,992		2,095,822	
Student personnel services	16,988,187		1,026,463	
Health services	1,411			
Total instruction	<u>2,318,034,384</u>	<u>3,358,232</u>	<u>80,154,358</u>	<u>47,441,143</u>
Support services:				
Student transportation	140,237,799		1,144,751	-
Operation of plant	172,434,134		-	-
Maintenance of plant	74,579,051		-	17,764,305
Administration	68,058,928		277,847	5,035,752
Community services	3,220,575		2,515,970	
Interest on capital leases	1,183,963			
Total support services	<u>459,714,450</u>	<u>-</u>	<u>3,938,568</u>	<u>22,800,057</u>
Total governmental activities	<u>2,777,748,834</u>	<u>3,358,232</u>	<u>84,092,926</u>	<u>70,241,200</u>
Business-type activities:				
Food services	57,733,700	17,476,818	44,052,643	1,509,107
Real estate management	3,360,543	3,536,111		
Field trips	2,196,677	2,148,783		
Entrepreneurial activities	8,766,263	8,857,581		
Total business-type activities	<u>72,057,183</u>	<u>32,019,293</u>	<u>44,052,643</u>	<u>1,509,107</u>
Total primary government	<u>\$ 2,849,806,017</u>	<u>\$ 35,377,525</u>	<u>\$ 128,145,569</u>	<u>\$ 71,750,307</u>
Component Unit:				
Educational Foundation	<u>\$ 1,329,535</u>	<u>\$ -</u>	<u>\$ 1,718,979</u>	<u>\$ -</u>
General revenues:				
Unrestricted intergovernmental:				
Montgomery County				
State of Maryland				
Federal government				
Other income				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Restatement				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,525,858,940)	\$ -	\$ (1,525,858,940)	\$ -
(434,828,406)		(434,828,406)	
(210,430,170)		(210,430,170)	
(15,961,724)		(15,961,724)	
(1,411)		(1,411)	
<u>(2,187,080,651)</u>	<u>-</u>	<u>(2,187,080,651)</u>	<u>-</u>
(139,093,048)		(139,093,048)	
(172,434,134)		(172,434,134)	
(56,814,746)		(56,814,746)	
(62,745,329)		(62,745,329)	
(704,605)		(704,605)	
(1,183,963)		(1,183,963)	
<u>(432,975,825)</u>	<u>-</u>	<u>(432,975,825)</u>	<u>-</u>
<u>(2,620,056,476)</u>	<u>-</u>	<u>(2,620,056,476)</u>	<u>-</u>
	5,304,868	5,304,868	
	175,568	175,568	
	(47,894)	(47,894)	
	91,318	91,318	
<u>-</u>	<u>5,523,860</u>	<u>5,523,860</u>	<u>-</u>
<u>(2,620,056,476)</u>	<u>5,523,860</u>	<u>(2,614,532,616)</u>	<u>-</u>
			<u>389,444</u>
1,873,380,768		1,873,380,768	
892,225,277		892,225,277	
21,302,600		21,302,600	
14,687,987	9,358	14,697,345	
<u>2,801,596,632</u>	<u>9,358</u>	<u>2,801,605,990</u>	<u>-</u>
181,540,156	5,533,218	187,073,374	389,444
1,725,264,644	4,375,260	1,729,639,904	5,688,246
<u>(1,846,547,887)</u>	<u>8,769,730</u>	<u>(1,837,778,157)</u>	
<u>(121,283,243)</u>	<u>13,144,990</u>	<u>(108,138,253)</u>	<u>5,688,246</u>
<u>\$ 60,256,913</u>	<u>\$ 18,678,208</u>	<u>\$ 78,935,121</u>	<u>\$ 6,077,690</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 107,781,342	\$ -	\$ -	\$ 107,781,342
Accounts receivable:				
Montgomery County		21,061,299		21,061,299
State of Maryland	7,960,408	5,307,131		13,267,539
Federal government	7,360,655			7,360,655
Other	26,547,938	1,366,343		27,914,281
Due from other funds	134,791	4,983,336	360,888	5,479,015
Due from component unit	57,476			57,476
Inventories	7,904,910			7,904,910
Prepays	359,573			359,573
Due from employees	106,443			106,443
Total assets	<u>\$ 158,213,536</u>	<u>\$ 32,718,109</u>	<u>\$ 360,888</u>	<u>\$ 191,292,533</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 36,086,916	\$ 23,373,017	\$ 24,718	\$ 59,484,651
Retainage payable		8,955,887		8,955,887
Accrued salaries and withholdings	54,399,574			54,399,574
Due to other funds	10,812,481	389,205	7,666	11,209,352
Due to fiduciary funds	4,292,786			4,292,786
Unearned revenue	5,257,920			5,257,920
Compensated absences	7,265,275			7,265,275
Total liabilities	<u>118,114,952</u>	<u>32,718,109</u>	<u>32,384</u>	<u>150,865,445</u>
Fund Balances:				
Nonspendable:				
Inventories	7,904,910			7,904,910
Prepays	359,573			359,573
Restricted for:				
Instructional TV program			328,504	328,504
Assigned for:				
Instructional programs	14,765,257			14,765,257
Unassigned	17,068,844			17,068,844
Total fund balances	<u>40,098,584</u>	<u>-</u>	<u>328,504</u>	<u>40,427,088</u>
Total liabilities and fund balances	<u>\$ 158,213,536</u>	<u>\$ 32,718,109</u>	<u>\$ 360,888</u>	<u>\$ 191,292,533</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, 2018

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

Total fund balances - governmental funds		\$ 40,427,088
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	\$ 4,369,585,326	
Accumulated depreciation is	<u>(1,447,157,922)</u>	2,922,427,404
Pension related deferred outflows of resources		158,625,591
OPEB related deferred outflows of resources		111,778,110
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.		19,648,046
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	(59,294,633)	
Compensated absences	\$ (143,577,745)	
Compensated absences-Governmental Funds	<u>7,265,275</u>	
Net pension liability	(136,312,470)	
Net OPEB liability	<u>(2,292,195,425)</u>	(2,885,344,789)
Pension related deferred inflows of resources		(58,301,970)
OPEB related deferred inflows of resources		<u>(249,002,567)</u>
Total net position - governmental activities		<u>\$ 60,256,913</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, 2018

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,720,715,773	\$ 222,264,231	\$ -	\$ 1,942,980,004
State of Maryland	835,548,788	60,691,473		896,240,261
Federal government	98,100,600	1,705,821		99,806,421
Other sources	4,060,614	1,119,485	1,697,504	6,877,603
Total revenues	<u>2,658,425,775</u>	<u>285,781,010</u>	<u>1,697,504</u>	<u>2,945,904,289</u>
Expenditures:				
Current:				
Administration	46,373,276			46,373,276
Mid-level administration	146,059,390			146,059,390
Instructional salaries and wages	978,816,045			978,816,045
Instructional textbooks and supplies	23,469,595			23,469,595
Other instructional costs	13,457,116			13,457,116
Special education	333,569,547			333,569,547
Student personnel services	11,683,385			11,683,385
Health services	1,411			1,411
Student transportation	106,938,152			106,938,152
Operation of plant	135,115,367			135,115,367
Maintenance of plant	36,696,411			36,696,411
Fixed charges	813,415,347			813,415,347
Community services	828,571		1,649,688	2,478,259
Debt service:				
Capital lease principal	15,593,716	15,340,550		30,934,266
Capital lease interest	817,083	366,880		1,183,963
Capital outlay		285,128,443		285,128,443
Total expenditures	<u>2,662,834,412</u>	<u>300,835,873</u>	<u>1,649,688</u>	<u>2,965,319,973</u>
Excess (deficiency) of revenues over expenditures	<u>(4,408,637)</u>	<u>(15,054,863)</u>	<u>47,816</u>	<u>(19,415,684)</u>
Other financing sources:				
Capital lease financing	16,176,061	15,054,863		31,230,924
Total other financing sources	<u>16,176,061</u>	<u>15,054,863</u>	<u>-</u>	<u>31,230,924</u>
Net change in fund balances	11,767,424	-	47,816	11,815,240
Fund balances - beginning	<u>28,331,160</u>	<u>-</u>	<u>280,688</u>	<u>28,611,848</u>
Fund balances - ending	<u>\$ 40,098,584</u>	<u>\$ -</u>	<u>\$ 328,504</u>	<u>\$ 40,427,088</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, 2018

Total net change in fund balances - governmental funds \$ 11,815,240

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 (\$285,128,446 less non-capitalized items of \$70,241,200) plus capital outlays for general fund assets (\$16,365,693) exceed depreciation expense (\$107,040,593) in the current period. 124,212,346

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 increase net position. 11,523,414

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 80,513,860

Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities 111,778,110

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 (\$31,230,924) exceeded principal payments (\$30,934,268) (296,656)

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:

Compensated absences	\$ (2,580,190)	
Pension expense	(67,035,097)	
OPEB expense	<u>(98,610,882)</u>	(168,226,169)

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. 10,220,011

Change in net position of governmental activities \$ 181,540,156

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, 2018

	Budgeted Amounts		Actual Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	Encumbrances	Budgetary Basis	
Revenues:						
Montgomery County	\$ 1,663,280,683	\$ 1,663,280,683	\$ 1,663,280,683	\$ -	\$ 1,663,280,683	\$ -
State of Maryland	679,944,975	682,184,453	681,749,220		681,749,220	(435,233)
Federal government	74,779,459	91,056,135	76,902,794		76,902,794	(14,153,341)
Other sources	10,057,940	10,057,940	6,330,328		6,330,328	(3,727,617)
Total revenues	2,428,063,057	2,446,579,211	2,428,263,020		2,428,263,020	(18,316,191)
Expenditures and encumbrances:						
Current:						
Administration	51,464,697	53,027,728	46,926,211	5,905,236	52,831,447	196,281
Mid-level administration	148,597,024	148,674,947	146,059,390	807,868	146,867,258	1,807,689
Instructional salaries and wages	994,620,334	1,000,651,834	978,691,360		978,691,360	21,960,474
Instructional textbooks and supplies	25,324,834	27,212,814	23,469,596	1,242,694	24,712,290	2,500,524
Other instructional costs	14,801,849	16,114,160	13,630,343	1,327,515	14,957,858	1,156,302
Special education	337,168,402	340,537,437	333,569,547	634,486	334,204,033	6,333,404
Student personnel services	12,079,984	12,439,325	11,683,385	1,088	11,684,473	754,852
Health services	3,630	3,630	1,411		1,411	2,219
Student transportation	104,999,080	107,241,610	106,065,768	717,046	106,782,814	458,796
Operation of plant	135,547,970	138,582,403	135,136,722	2,658,716	137,795,438	786,965
Maintenance of plant	35,928,160	38,639,461	37,056,016	1,470,608	38,526,624	112,837
Fixed charges	589,372,307	593,493,327	583,252,592		583,252,592	10,240,735
Community services	938,089	1,006,290	828,571		828,571	177,719
Total expenditures and encumbrances	2,450,846,360	2,477,624,966	2,416,370,912	14,765,257	2,431,136,169	46,488,797
Excess (deficiency) of revenues over expenditures and encumbrances	(22,783,303)	(31,045,755)	11,892,108	(14,765,257)	(2,873,149)	28,172,606
Other financing sources						
Budgeted use of fund balance	22,783,303	22,783,303				(22,783,303)
Prior-year encumbrances		8,262,452			8,262,452	
Net change in fund balance	\$ -	\$ -			5,389,303	5,389,303
Fund balance - beginning					26,459,296	26,459,296
Fund balance - ending					\$ 31,848,599	\$ 31,848,599

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, 2018

	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	\$ -	\$ 1,082,029	\$ 1,082,029	\$ -
Cash and cash equivalents	11,817,449		11,817,449	
Investments - cash equivalents				71,704,383
Accounts receivable:				
Montgomery County	4,902		4,902	
State of Maryland	263,791		263,791	
Federal government	2,110,526		2,110,526	
Other	19,546	1,241,721	1,261,267	3,198,145
Due from other funds	1,164,530	643,159	1,807,689	5,162,215
Inventories	2,589,878	3,270	2,593,148	
Total current assets	<u>17,970,622</u>	<u>2,970,179</u>	<u>20,940,801</u>	<u>80,064,743</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	6,544,511	81,111	6,625,622	
Total noncurrent assets	<u>6,544,511</u>	<u>81,111</u>	<u>6,625,622</u>	<u>-</u>
Total assets	<u>24,515,133</u>	<u>3,051,290</u>	<u>27,566,423</u>	<u>80,064,743</u>
Liabilities				
Current liabilities:				
Accounts payable	367,020	988,206	1,355,226	634,831
Claims payable				23,776,210
Due to employees, advance premium withholdings				9,568,326
Due to other funds	1,099,498	140,069	1,239,567	
Due to external parties				26,437,330
Unearned revenue	2,936,445	192,250	3,128,695	
Capital leases - current	200,172	27,024	227,196	
Compensated absences - current	82,849		82,849	
Total current liabilities	<u>4,685,984</u>	<u>1,347,549</u>	<u>6,033,533</u>	<u>60,416,697</u>
Noncurrent liabilities:				
Capital leases payable	158,968		158,968	
Compensated absences	2,346,117	349,597	2,695,714	
Total noncurrent liabilities	<u>2,505,085</u>	<u>349,597</u>	<u>2,854,682</u>	<u>-</u>
Total liabilities	<u>7,191,069</u>	<u>1,697,146</u>	<u>8,888,215</u>	<u>60,416,697</u>
Net Position				
Net investment in capital assets	6,544,511	81,111	6,625,622	
Unrestricted (deficit)	10,779,553	1,273,033	12,052,586	19,648,046
Total net position	<u>\$ 17,324,064</u>	<u>\$ 1,354,144</u>	<u>\$ 18,678,208</u>	<u>\$ 19,648,046</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, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 17,476,818	\$ -	\$ 17,476,818	\$ -
Rent and fees		14,542,475	14,542,475	
Employer's contributions				288,996,768
Members' contributions				53,190,494
Total operating revenues	<u>17,476,818</u>	<u>14,542,475</u>	<u>32,019,293</u>	<u>342,187,262</u>
Operating expenses:				
Salaries and wages	22,115,279	3,011,931	25,127,210	
Contracted services	1,100,875	7,105,103	8,205,978	
Supplies and materials	1,841,188	992,645	2,833,833	
Food purchases	16,365,626		16,365,626	
USDA commodities	3,587,255		3,587,255	
Other charges	11,690,532	3,176,130	14,866,662	1,698,768
Depreciation	1,032,945	37,674	1,070,619	
Benefits paid to plan members				274,944,965
Premiums paid to insurance companies				55,937,780
Total operating expenses	<u>57,733,700</u>	<u>14,323,483</u>	<u>72,057,183</u>	<u>332,581,513</u>
Operating income (loss)	<u>(40,256,882)</u>	<u>218,992</u>	<u>(40,037,890)</u>	<u>9,605,749</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	38,285,416		38,285,416	
State funds	2,179,972		2,179,972	
USDA commodities	3,587,255		3,587,255	
Investment income	9,358		9,358	614,262
Total nonoperating revenues	<u>44,062,001</u>	<u>-</u>	<u>44,062,001</u>	<u>614,262</u>
Income (loss) before capital contributions and transfers	3,805,119	218,992	4,024,111	10,220,011
Capital contributions - equipment	<u>1,509,107</u>		<u>1,509,107</u>	
Change in net position	<u>5,314,226</u>	<u>218,992</u>	<u>5,533,218</u>	<u>10,220,011</u>
Total net position - beginning	3,240,108	1,135,152	4,375,260	9,428,035
Restatement	8,769,730		8,769,730	
Total net position - beginning, as restated	<u>12,009,838</u>	<u>1,135,152</u>	<u>13,144,990</u>	<u>9,428,035</u>
Total net position - ending	<u>\$ 17,324,064</u>	<u>\$ 1,354,144</u>	<u>\$ 18,678,208</u>	<u>\$ 19,648,046</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, 2018

	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	\$ 16,226,036	\$ 13,761,825	\$ 29,987,861	\$ 54,256,953
Receipts from assessments made to other funds				281,888,923
Payments to suppliers	(20,641,688)	(7,553,197)	(28,194,885)	(56,361,289)
Payments to employees	(24,117,130)	(3,221,617)	(27,338,747)	
Payments for insurance claims				(275,884,453)
Payments for assessments made by other funds	(9,548,961)	(397,703)	(9,946,664)	
Payments for other operating expenses	(93,091)	(2,541,205)	(2,634,296)	(1,698,768)
Net cash used by operating activities	<u>(38,174,834)</u>	<u>48,103</u>	<u>(38,126,731)</u>	<u>2,201,366</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	40,509,956		40,509,956	
Transfers (to) from other funds				4,626,718
Net cash used by noncapital financing activities	<u>40,509,956</u>	<u>-</u>	<u>40,509,956</u>	<u>4,626,718</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(710,488)		(710,488)	
Principal paid on capital leases	(238,624)	(26,539)	(265,163)	
Net cash used by capital and related financing activities	<u>(949,112)</u>	<u>(26,539)</u>	<u>(975,651)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	9,358		9,358	568,119
Net cash provided by investing activities	<u>9,358</u>	<u>-</u>	<u>9,358</u>	<u>568,119</u>
Net increase (decrease) in cash and cash equivalents	1,395,368	21,564	1,416,932	7,396,203
Cash and cash equivalents - beginning	10,422,081	1,060,465	11,482,546	64,308,180
Cash and cash equivalents - ending	<u>\$ 11,817,449</u>	<u>\$ 1,082,029</u>	<u>\$ 12,899,478</u>	<u>\$ 71,704,383</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (40,256,882)	\$ 218,992	\$ (40,037,890)	\$ 9,605,749
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,032,945	37,674	1,070,619	
USDA commodities used	3,587,255		3,587,255	
Effects of changes in operating assets and liabilities:				
Receivables	(1,184,076)	(550,916)	(1,734,992)	
Due from other funds				(5,162,215)
Non USDA inventories	(135,737)		(135,737)	
Net OPEB obligation restatement	8,769,730		8,769,730	
Accounts payable	52,503	426,777	479,280	(423,509)
Claims payable				(939,488)
Advance premium withholdings				1,066,459
Due to other funds	(1,250,764)	127,014	(1,123,750)	(1,945,630)
Unearned revenue	(66,706)	(229,734)	(296,440)	
Net OPEB obligation	(8,769,730)		(8,769,730)	
Compensated absences	46,628	18,296	64,924	
Net cash used by operating activities	<u>\$ (38,174,834)</u>	<u>\$ 48,103</u>	<u>\$ (38,126,731)</u>	<u>\$ 2,201,366</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 1,509,107	\$ -	\$ 1,509,107	\$ -
USDA commodities received	(3,587,255)		(3,587,255)	

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, 2018

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 15,755,912
Investments:		
Global equities	967,306,424	
Fixed income securities	409,778,921	
Real estate	97,530,749	
Alternative investments	231,827,167	
Short-term investments/CRHBT	443,190,373	
Total investments	2,149,633,634	-
Accounts receivable	1,168,371	1,846,798
Due from Internal Service Fund	26,437,330	
Due from General Fund	4,292,786	
Inventories		163,164
Total assets	2,181,532,121	\$ 17,765,874
LIABILITIES		
Accounts payable	388,298	1,594,706
Claims payable	6,322,107	
Due to student groups		16,171,168
Total liabilities	6,710,405	\$ 17,765,874
NET POSITION		
Restricted for pension and other postemployment benefits	\$ 2,174,821,716	

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, 2018

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 170,443,900
Members	64,199,224
Federal government - Medicare Part D	21,197,806
Total contributions	255,840,930
Investment earnings:	
Net increase in fair value of investments	117,868,298
Interest and dividends	44,461,491
Total investment earnings	162,329,789
Less investment expense:	
Investment fees and other	(5,968,892)
Total investment expense	(5,968,892)
Net investment earnings	156,360,897
Total additions	412,201,827
DEDUCTIONS	
Benefits paid to plan members	189,933,297
Premiums paid to insurance companies	17,841,256
Administrative expenses	1,416,277
Total deductions	209,190,830
Change in net position	203,010,997
Net position - beginning	1,971,810,719
Net position - ending	\$ 2,174,821,716

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



NOTES TO THE FINANCIAL STATEMENTS

Board of Education of Montgomery County
June 30, 2018

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. 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. Primary funding is provided by Montgomery County from its general revenues. Funds are also 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 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. (the 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. Due to the fact that the Foundation adheres to the reporting conventions of the Financial Accounting Standards Board (FASB) and the Board's Statements conform to GASB, adjustment were made for the timing of certain contributions and expenses.

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, 850 Hungerford Drive, Room 167, 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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenue and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are 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 Board's interest in the Consolidated Retiree Health Benefit Trust (CRHBT) that accumulates resources for other postemployment benefits (OPEB).
- 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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

as all eligibility requirements imposed by the provider have been met. Revenue from U.S. Department of Agriculture (USDA) commodities is considered earned when the commodities are used. The value of unused USDA commodities is reported as unearned revenue. Employee, employer, and other contributing entities' contributions to the pension and other employee benefit trust funds are recognized as revenue in the period that the contributions are due. Pension and other postemployment benefits expenses and refunds are recognized when due and payable. Agency funds, which have no measurement focus, also use the accrual basis of accounting to recognize assets and liabilities.

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 American Institute of Certified Public Accountants (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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 using the net asset value (NAV) per share (or its equivalent). The fair value of mortgages, real estate investments, private equity and hedge fund investments are also valued using the NAV, based on information provided by fund managers.

OPEB Plan Trust investments are now part of the CRHBT. In accordance with the trust agreement the Board is allocated a portion of the investment pool. The allocated portion is treated in the statements as short-term investments, measured at net asset 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, measured at net asset value.

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 (CIF). All such funds earn market rate interest and are available to schools on a demand basis.

The Foundation 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 investment in the Common Fund Institutional Multi-strategy Equity and Bond Fund is stated at fair value.

F. INVENTORIES AND PREPAID ITEMS

Depending on the character and composition of the inventory, the method of cost or market, whichever is lower, may be applied either directly to each item or to the total of the inventory. For supplies, instructional materials, and transportation parts, cost is determined by the lower of cost or market basis method; for transportation fuels, food and food related inventories, cost is determined by the first-in, first-out method. Commodities received from the 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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 acquisition value at the date of acquisition. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transactions at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

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

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

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

H. DEFERRED 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. 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 two items that meet the criterion described above. These are the deferrals of pension and OPEB expenses that result from the implementation of GASB Statements 68 and 75.

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% of earned, accumulated sick leave. Members of the Montgomery County Education Association (MCEA)

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

receive 35% 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% 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

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

K. FUND BALANCES

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

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

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

Committed – Amounts that can be used only for specific purposes 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.

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

L. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Board has adopted Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement requires governments to report a liability on the face of the financial statements for the OPEB they provide. The Statement also requires the presentation of more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percent higher and one percent lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

The Board has adopted Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires the recognition of assets, liabilities, and deferred inflows of resources at the inception of any irrevocable split-interest agreement that provides resources. The Statement had no impact on the financial statements.

The Board has adopted Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. Topics addressed include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

The Board has adopted Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt and prepaid insurance on such debt. The pronouncement had no impact on the financial statements.

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The Board has adopted Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This Statement also reiterates that such interest costs should be recognized as an expenditure on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. This Statement 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. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations, legally enforceable liabilities associated with the retirement of tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 87, *Leases*

The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for periods beginning after June 15, 2018. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*)

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2018. The Board is currently evaluating the effect of implementation of this Statement.

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

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

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

B. BUDGETARY PRESENTATION

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

- Encumbrances outstanding are charged to budgetary appropriations in the current period.
- Expenditures for compensated absences are accounted for on a cash basis.
- State of Maryland retirement contributions made on behalf of the Board employees are a legal obligation of the State, and so are not included in the Board budget.

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- Montgomery County OPEB contributions made to the CRHBT on behalf of the Board employees and retirees, are not included in the Board budget.
- Federal government Medicare Part D payments made to the CRHBT 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 & Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,428,263,020	\$ 2,431,136,169	\$ -	\$ (2,873,149)
Reconciling items:				
2018 Encumbrances outstanding		(14,765,257)		14,765,257
Increase in compensated absences		124,684		(124,684)
State of Maryland retirement contributions	153,799,568	153,799,568		
Montgomery County OPEB contributions	55,165,381	55,165,381		
Federal Medicare Part D contributions	21,197,806	21,197,806		
Capital lease financing		16,176,061	16,176,061	
As reported – GAAP basis	<u>\$ 2,658,425,775</u>	<u>\$ 2,662,834,412</u>	<u>\$ 16,176,061</u>	<u>\$ 11,767,424</u>

Governmental funds encumbrances outstanding at June 30, 2018 include \$14,765,257 for the General Fund and \$231,820,745 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 inventory to various schools 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, 2018, \$3,373,449 of such purchase orders had been issued.

III. DEPOSITS AND INVESTMENTS

Cash and investments at June 30, 2018 are summarized as follows:

	<u>Primary Government (including fiduciary)</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 108,863,371	\$ -
Cash and cash equivalents	11,817,449	244,752
Cash-fiduciary funds	15,755,912	
Investments – cash equivalents	71,704,383	5,890,414
Investments-fiduciary funds	2,149,633,634	
Total	<u>\$ 2,357,774,749</u>	<u>\$ 6,135,166</u>
Deposits and Investments Summary:		
Deposits	\$ 136,431,463	244,752
Investments	2,221,338,017	5,890,414
Cash on hand	5,269	
Total	<u>\$ 2,357,774,749</u>	<u>\$ 6,135,166</u>

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A. DEPOSITS

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Board may not be able to recover all or portion of the deposit. 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, 2018, the reported balance of the Board's deposits was \$136,431,463 and the bank balance was \$139,316,286. 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, 2018 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 967,306,424
Fixed income securities	409,778,921
Real estate	97,530,749
Alternative investments	231,827,167
Short-term investments	12,393,629
Subtotal Pension Trust Investments	<u>1,718,836,890</u>
OPEB Related Investments:	
Investment in CRHBT	430,796,744
Subtotal OPEB Related Investments	<u>\$ 430,796,744</u>
Other Investments:	
Cash equivalents	71,704,383
Total Investments	<u>\$ 2,221,338,017</u>

Interest rate risk. The Board manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its fixed income investment portfolios. Internal pooled investments duration is limited to less than six months. The investment policy of the Centralized Investment Fund limits maturities to three years or less. The Pension Trust investment policy specifies that fixed income portfolio duration should track the Bloomberg Barclays Intermediate Aggregate Bond Index. During Fiscal Year (FY) 2018, 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, 2018, fixed income investments had the following sensitivity to interest rates:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration in Years</u>
Pension Trust Investments:		
Core fixed income	\$ 21,540,174	5.99
US intermediate aggregate bond index	306,809,382	4.54
Other fixed income	64,795,700	N/A
Short-term in nature	29,027,294	N/A
Total	<u>\$ 422,172,550</u>	

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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% 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 is authorized to invest in a broad range of securities including domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by a foreign government, corporate bonds, asset backed securities, private equity, money market funds, and pooled real estate investments.

Pension Trust fixed income investments at June 30, 2018, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
AAA	5.2%	\$ 21,909,673
AA	60.5	256,054,936
A	4.7	19,766,768
BBB	6.1	25,590,498
BB	0.1	242,413
Not rated	23.4	98,608,262
Total	100%	\$ 422,172,550

Other Board fixed income investments are rated AAA by Standard and Poor's, except for certain portfolios and short-term investments.

During FY 2018, individual holdings in the investment portfolios did not exceed policy guidelines. About \$21.5 million of the fixed income portfolio cannot be readily redeemed.

Foreign currency risk. The Pension Trust's exposure to foreign currency risk is derived from its investments in vehicles that have positions in securities denominated in foreign currencies. The Board's direct foreign currency risk at June 30, 2018, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
European Currency Unit	\$ 214,219	\$ 9,937,273	\$ 10,151,492
Australian Dollar	94		94
Japanese Yen	480		480
Pound Sterling	286		286
Swiss Franc	1,312		1,312
Total	\$ 216,391	\$ 9,937,273	\$ 10,153,664

Commitments. At June 30, 2018, unfunded commitments were \$91,899,974 to private equity funds and private real estate funds.

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

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- 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.

The Board has the following recurring fair value measurements as of June 30, 2018:

Investments by fair value level	<u>6/30/2018</u>
Investments measured at the net asset value (NAV)	
Global equities	
Commingled equity funds	\$ 967,306,424
Fixed Income Securities	
Commingled Bond funds	409,778,921
Real Estate	
Private real estate funds	97,530,749
Alternative Investments	
Private Equity	74,308,197
Hedges Funds	157,518,970
Short Term Investments	
Investment in CRHBT	<u>430,796,744</u>
Total investments measured at the NAV	2,137,240,005
Cash & Cash Equivalents	<u>84,098,012</u>
Total Investments	<u>\$ 2,221,338,017</u>

The cash or cash equivalents are invested 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 NAV per share (or its equivalent) is presented on the following table:

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Received Period
Global Equities				
Commingled global equity funds	\$ 967,306,424	\$ -	Daily or bimonthly	T+2, T+3 settlement
Fixed Income Securities				
Commingled bond funds	409,778,921		Daily	T+2, T+3 settlement
Real Estate				
Private real estate funds	97,530,749	17,348,095	Illiquid or Quarterly	60 days for quarterly redemption
Alternative Investments				
Private equity	74,308,197	74,551,879	Illiquid	
Hedge funds	157,518,970		Monthly, quarterly or annual	30-90 days
Short Term Investments				
Investment in CRHBT	<u>430,796,744</u>		Illiquid	
Total Investments Measured at the NAV	<u>\$2,137,240,005</u>	<u>\$ 91,899,974</u>		

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.

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- The objective of the commingled global 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 designed to track the return of the following indexes: S&P 500 Index, MSCI EAFE Index, Russell 2000 Index, MSCI EAFE Small Cap Index, MSCI Emerging Markets Equity 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 income.
 - 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 Global Equity markets allows the Pension Trust to raise cash with relative ease.

- The objective of the commingled bond funds is to track the return of 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 designed to track the return of the Bloomberg 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 could provide cash income to the pension.
 - Lower Expected Returns - 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 could provide 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). The rest of the portfolio consists of 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

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typically play a significant role in the operations of their portfolio companies. Private equity funds are illiquid and long-term in nature, thus investors expect to receive a return greater than those available in the public equity market. Private equity investments may have 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 200 basis point premium net of fees with a one quarter lag.

- 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. A short position is one in which the investor generates a return from asset price declines. A hedge fund can specialize in particular niches 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 provide superior risk-adjusted returns. The return on the total hedge fund allocation is expected to meet or exceed the HFRI Fund of Funds Composite Index.

C. CASH ON HAND

At year-end, the primary government had \$5,269 on hand in petty cash accounts.

IV. INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions are receivables reported as "Due From Other Funds" and the related payables reported as "Due To Other Funds" and represent amounts owed between the Board’s governmental and proprietary funds within the Board reporting entity. An example of interfund transactions is when the Board’s General Fund processes payments for other Board funds. The composition of interfund receivables and payables as of June 30, 2018, is as follows:

Due to Fund	Due From Fund						Total
	General	Capital Projects	Food Services	Nonmajor Government	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ 4,124,848	\$ 1,164,530	\$ 360,888	\$ -	\$ 5,162,215	\$ 10,812,481
Capital Projects					389,205		389,205
Food Services		850,852			248,646		1,099,498
Nonmajor Government		7,636			30		7,666
Nonmajor Enterprise	134,791				5,278		140,069
Total	\$ 134,791	\$ 4,983,336	\$ 1,164,530	\$ 360,888	\$ 643,159	\$ 5,162,215	\$ 12,448,919

V. DUE FROM EMPLOYEES

The \$106,443 reported as due from employees on the Governmental Funds Balance Sheet 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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VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Governmental Activities:							
Nondepreciable capital assets:							
Land	\$ 87,693,060	\$	13,384,700	\$	-	\$	101,077,760
Construction in progress	88,847,692		199,368,715		198,500,930		89,715,477
Total nondepreciable capital assets	<u>176,540,752</u>		<u>212,753,415</u>		<u>198,500,930</u>		<u>190,793,237</u>
Depreciable capital assets:							
Buildings and improvements	3,411,548,259		159,557,617		11,687,426		3,559,418,450
Site improvements	372,172,793		54,461,839				426,634,632
Vehicles and equipment	191,119,778		16,365,696		14,746,467		192,739,007
Total depreciable capital assets	<u>3,974,840,830</u>		<u>230,385,152</u>		<u>26,433,893</u>		<u>4,178,792,089</u>
Less accumulated depreciation for:							
Buildings and improvements	1,170,676,243		87,057,374		10,437,873		1,247,295,744
Site improvements	79,701,797		7,161,025				86,862,822
Vehicles and equipment	114,311,896		12,822,194		14,134,734		112,999,356
Total accumulated depreciation	<u>1,364,689,936</u>		<u>107,040,593</u>		<u>24,572,607</u>		<u>1,447,157,922</u>
Total depreciable capital assets, net	<u>2,610,150,894</u>		<u>123,344,559</u>		<u>1,861,286</u>		<u>2,731,634,167</u>
Government activities capital assets, net	<u>\$ 2,786,691,646</u>	\$	<u>336,097,974</u>	\$	<u>200,362,216</u>	\$	<u>2,922,427,404</u>
Business-Type Activities:							
Depreciable capital assets:							
Vehicles and equipment	\$ 22,043,516	\$	2,229,732	\$	801,609	\$	23,471,639
Total depreciable capital assets	<u>22,043,516</u>		<u>2,229,732</u>		<u>801,609</u>		<u>23,471,639</u>
Less accumulated depreciation for:							
Vehicles and equipment	16,566,869		1,070,619		791,471		16,846,017
Total accumulated depreciation	<u>16,566,869</u>		<u>1,070,619</u>		<u>791,471</u>		<u>16,846,017</u>
Business-type activities capital assets, net	<u>\$ 5,476,647</u>	\$	<u>1,159,113</u>	\$	<u>10,138</u>	\$	<u>6,625,622</u>

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

Governmental Activities:	
Regular instruction	\$ 85,577,964
Special education	147,085
School administration	15,043
Student transportation	10,876,861
Operation of plant	212,984
Maintenance of plant	9,837,758
Administration	372,898
Total depreciation expense-governmental activities	<u>\$ 107,040,593</u>
Business Type Activities:	
Food Services	1,032,945
Entrepreneurial	37,674
Total depreciation expense business type activities	<u>\$ 1,070,619</u>

Commitments for ongoing construction in progress at June 30, 2018 are \$231,820,745.

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VII. PAYABLES

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2018 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 60,119,482	\$ 1,355,226	\$ 61,474,708
Retainage payable	8,955,887		8,955,887
Accrued salaries and withholdings	54,399,574		54,399,574
Claims payable	23,776,210		23,776,210
Due to employees-advance premium withholding	9,568,326		9,568,326
Total accounts payable and other current liabilities	<u>\$ 156,819,479</u>	<u>\$ 1,355,226</u>	<u>\$ 158,174,705</u>

VIII. LEASES

A. OPERATING LEASES

Expenditures under lease agreements for office space and equipment were approximately \$7,927,809 in 2018. Commitments for fiscal year 2019 under lease agreements are approximately \$7,733,557. 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 2023. Lease payments, including interest, in fiscal year 2018 were \$16,410,799 for the General Fund, \$15,707,730 for the Capital Projects Fund and \$27,517 for the Enterprise Funds.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 73,427,180	\$ -
Less: accumulated depreciation	(15,056,082)	
Total	<u>\$ 58,371,098</u>	<u>\$ -</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2019	\$ 23,039,717	\$ 234,477
2020	18,860,000	108,621
2021	12,276,072	54,543
2022	5,620,872	
2023	2,809,622	
Total minimum lease payments	<u>62,606,283</u>	<u>397,641</u>
Less: Amount representing interest	(3,311,650)	(11,477)
Present value of future minimum lease payments	<u>\$ 59,294,633</u>	<u>\$ 386,164</u>

\$37,699,349 of outstanding capital lease obligations for governmental activities at June 30, 2018, was used to acquire capital assets.

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IX. LONG-TERM LIABILITIES

Long-term liability activities during fiscal year 2018 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	\$ 58,997,977	\$	31,230,924	\$	30,934,268	\$	59,294,633	\$	21,569,736
Compensated absences	140,872,869		13,359,244		10,654,369		143,577,744		10,707,641
Net pension liability(*)	473,927,311				76,385,050		397,542,261		
Net OPEB liability(*)	<u>2,442,587,110</u>		<u>111,778,110</u>		<u>262,169,795</u>		<u>2,292,195,425</u>		
Total	\$ <u>3,116,385,267</u>	\$	<u>156,368,278</u>	\$	<u>380,143,482</u>	\$	<u>2,892,610,063</u>	\$	<u>32,277,377</u>
	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Business-Type Activities:									
Capital leases	\$ 651,328	\$	-	\$	265,164	\$	386,164	\$	227,196
Compensated absences	<u>2,713,639</u>		<u>160,152</u>		<u>95,228</u>		<u>2,778,563</u>		<u>82,849</u>
Total	\$ <u>3,364,967</u>	\$	<u>160,152</u>	\$	<u>360,392</u>	\$	<u>3,164,727</u>	\$	<u>310,045</u>

* Net Pension and OPEB liabilities are generally liquidated by the General Fund. Prior year net OPEB obligation has been restated, refer to note XVII.

X. 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 \$400,000 per claim. 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 \$23,776,210 and \$6,322,107 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2018, 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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
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financial statements and the amount of the loss can be reasonably estimated. Changes in claims payable for fiscal years 2018 and 2017 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2018				
Internal Service Fund	\$ 23,438,955	\$ 274,944,965	\$ (274,607,710)	\$ 23,776,210
Fiduciary Funds	8,156,965	94,798,239	(96,633,097)	6,322,107
Total	\$ 31,595,920	\$ 369,743,204	\$ (371,240,807)	\$ 30,098,317
2017				
Internal Service Fund	\$ 20,526,621	\$ 269,600,070	\$ (266,687,736)	\$ 23,438,955
Fiduciary Funds	6,947,450	91,117,460	(89,907,945)	8,156,965
Total	\$ 27,474,071	\$ 360,717,530	\$ (356,595,681)	\$ 31,595,920

XI. DEFINED BENEFIT PENSION PLANS (GASB 68)

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 and Pension System (MSRPS); 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.

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

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

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

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, 2018 was \$153,799,568. The fiscal year 2018 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 was paid in FY 2017 and each year thereafter. The Board

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required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2018 was \$58,560,510.

The Board contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2018, was 4.43% 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, 2018 of \$650,264.

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, 2018, the Board reported a liability of \$6,579,513 for its proportionate share of the net pension liability of the System, decreased by \$563,910 from \$7,143,423 in FY 2017. The net pension liability was measured as of June 30, 2017, 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, 2017. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2017, the Board's proportionate share was 0.0304273%, which is an increase of 0.0001509% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Board recognized pension expense of \$763,132. In addition, 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	\$ 656,854	\$ -
Net difference between projected and actual earnings on pension plan investments	1,811,643	
Difference between projected and actual experience		1,108,075
Board contributions subsequent to the measurement date	650,264	
Total	<u>\$ 3,118,761</u>	<u>\$ 1,108,075</u>

The \$650,264 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, 2019. 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:	
2019	\$ 636,540
2020	1,589,050
2021	517,714
2022	(1,036,587)
2023	(346,295)
Total	<u>\$ 1,360,422</u>

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TEACHERS' RETIREMENT AND PENSION SYSTEMS

At June 30, 2018, 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:

State's proportionate share of the net pension liability associated with the Board	\$ 1,757,492,373
The Board's proportionate share of the net pension liability	-
Total	\$ 1,757,492,373

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the Board recognized pension expense of \$153,799,568 and revenue of \$153,799,568 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level Percentage of Payroll Closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15%, including inflation
Investment rate of return	7.5%
Discount Rate	7.5%
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, 2017 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.

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:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	36%	5.3%
Rate Sensitive	21	1.2
Credit Opportunity	9	3.6
Real Assets	15	5.7
Absolute Return	8	3.1
Private Equity	11	7.0
Total	<u>100%</u>	

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, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 10.02%. 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 7.5%. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. 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 7.5%, as well as what the Board’s net pension liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Board’s proportionate share of the net pension liability	\$ 9,037,532	\$ 6,579,513	\$ 4,534,073

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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
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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 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 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% to 1.5%.
- 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, 2016 the date of the latest actuarial report for employer reporting, the Board's plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	13,137
Terminated plan members entitled to benefits but not yet receiving them	4,998
Active plan members	<u>21,524</u>
Total	<u><u>39,659</u></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% and 7.5%, 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. Administrative costs are financed through investment earnings. The Board's actuarially determined contribution rate as a percentage of covered payroll for FY 2018 was 4.68%.

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NET PENSION LIABILITY

The Board’s net pension liability was measured as of June 30, 2017, 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	\$ 1,977,417,960
Plan fiduciary net position	(1,586,455,212)
Net pension liability	<u>\$ 390,962,748</u>

Plan fiduciary net position as a percentage of the total pension liability: 80.23%

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

Valuation date	July 1, 2016
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 July 1, 2016 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, 2017 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of return</u>
Fixed income	25%	3.1%
Global Equities	50%	7.0%
Alternatives	25%	6.9%

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

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projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (a)	Increase (Decreases) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/2016	\$ 1,881,931,331	\$ 1,415,147,443	\$ 466,783,888
Changes for the year			
Service cost	44,436,725		44,436,725
Interest	141,159,580		141,159,580
Contributions - employer		65,877,870	(65,877,870)
Contributions - employee		23,749,197	(23,749,197)
Net Investment Income		172,942,114	(172,942,114)
Benefit payments, including refunds of employee contributions	(90,109,676)	(90,109,676)	
Administrative expense		(1,151,736)	1,151,736
Net Changes	95,486,629	171,307,769	(75,821,140)
Balances as of 6/30/2017	\$ 1,977,417,960	\$ 1,586,455,212	\$ 390,962,748

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 one percent lower (6.5%) or one percent higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 641,690,966	\$ 390,962,748	\$ 182,762,667

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2017 was 11.9%. 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, 2018, the Board recognized pension expense of \$66,271,962. At June 30, 2018, 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
Difference between actual and expected experience measurement date	\$ -	\$ 57,193,895
Net difference between projected and actual earnings on pension plan investments measurement date	24,332,754	
Changes in assumptions	51,310,480	
Board contributions subsequent to the measurement date	79,863,596	
Total	\$ 155,506,830	\$ 57,193,895

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Board contributions of \$79,863,596 reported as deferred outflows of resources subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2019. 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:	
2019	\$ 9,348,997
2020	27,697,257
2021	12,426,099
2022	(13,286,765)
2023	(5,397,216)
Thereafter	(12,339,033)
Total	<u>\$ 18,449,339</u>

XII. DEFINED BENEFIT PENSION PLANS (GASB 67)

The below are additional disclosures presented according to the accounting standard GASB Statement No. 67 *Financial Reporting for Pension Plans*—an amendment of GASB Statement No. 25 for pension plan since the Board does not issue separate pension plan financial statements.

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description. For a description of the plan and the benefits provided, see Note XI, Section B.

At July 1, 2017, the date of the latest actuarial report, the Board’s plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	13,460
Terminated plan members entitled to benefits but not yet receiving them	5,620
Active plan members	<u>23,010</u>
Total	<u>42,090</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% and 7.5%, 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. Administrative costs are financed through investment earnings. The Board actuarially determined contribution rate as a percentage of covered payroll for FY 2018 was 4.11%.

NET PENSION LIABILITY

Beginning of year total pension liability is based on the Board’s actuarial valuation date of July 1, 2017, and a measurement date of June 30, 2017. The end of year total pension liability based on the Board’s actuarial valuation date of July 1, 2017, with the results rolled forward to a measurement date of June 30, 2018.

Total pension liability	\$ 2,242,829,828
Plan fiduciary net position	<u>(1,719,166,655)</u>
Net pension liability	<u>\$ 523,663,173</u>

Plan fiduciary net position as a percentage of the total pension liability: 76.65%

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

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Inflation	2.75%
Investment Rate of Return	7.0%, net of investment expense, including inflation
Salary Increases	1.95% to 9.4%, including inflation
General Inflation	2.75%
Retirement Age	Experience-based table of rates
Mortality	Healthy lives: RP-2014 white collar mortality table, sex distinct, with generational mortality improvements using scale MP-2014 projection scales. The provision for future mortality improvement for healthy lives is based on the generational application of the MP-2014 improvement scales. Disabled lives: RP-2000 disabled mortality table, sex distinct, projections to 2022 using projection scale AA (static table)
Cost of Living Adjustment	3.0% compound for Employees' Retirement System (ERS) retirees and 3.0% simple for original pension plan retirees. 2.75% compound for service before July 1, 2011 and 1.95% compound for service after July 1, 2011.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2017, then rolled forward to June 30, 2018 including any changes made to the roll forward. The actuarial assumption used in the June 30, 2018 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, 2018 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	23%	4.49%
Global Equities	50	7.94
Alternatives	25	7.69
Cash & Cash Equivalents	2	3.00
Total	<u>100%</u>	

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

	Total Pension Liability (a)	Increase (Decreases) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/2017	\$ 1,977,417,960	\$ 1,586,455,212	\$ 390,962,748
Changes for the year			
Service cost	50,395,825		50,395,825
Interest	146,658,956		146,658,956
Differences between expected and actual experience	31,406,064		31,406,064
Changes of assumptions	132,086,081		132,086,081
Contributions – employer		79,863,596	(79,863,596)
Contributions – employee		24,323,349	(24,323,349)
Net Investment Income		124,868,624	(124,868,624)
Benefit payments, including refunds of employee contributions	(95,135,058)	(95,135,058)	
Administrative expense		(1,209,068)	1,209,068
Net Changes	265,411,868	132,711,443	132,700,425
Balances as of 6/30/2018	\$ 2,242,829,828	\$ 1,719,166,655	\$ 523,663,173

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 7.0%, as well as what the Board’s net pension liability would be if it were calculated using a discount rate that is one percent lower (6.0%) or one percent higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$828,771,809	\$523,663,173	\$271,155,560

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2018 was 7.8%. 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.

XIII. POSTEMPLOYMENT HEALTHCARE BENEFITS (GASB 75)

In FY 2018 a new accounting standard for OPEB employers (GASB 75) required the new measurement of the OPEB liability as Net OPEB liability, which is total OPEB liability less the amount of the OPEB plan’s fiduciary net position.

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description. The OPEB Plan is a single-employer defined benefit healthcare plan funded and administered by the Board. Employees receiving a Board approved retirement are eligible, in accordance with bargaining agreements between the Board 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. Separate financial statements for the OPEB Plan are not available.

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Benefit Provided. The Board offers single employer plans including CareFirst BlueChoice HMO/POS/PPO, Kaiser HMO, Caremark Prescription Drugs (Option A or B), Kaiser Prescription Drugs, CareFirst Dental, Aetna Dental DMO or PPO and Vision. The Board’s employees are eligible to continue group insurance coverage after retirement provided that retiring employees qualify for pension benefits under either the Employees’ Pension System (EPS) or Employees’ Retirement System (ERS). The surviving spouses and dependent children who are covered under any of the Board’s sponsored health plans (medical, vision, prescription or dental) have the right to continue coverage upon the death of the Board’s employee/retiree. Retirees/spouses who are eligible for Medicare Parts A & B must enroll for Medicare coverage in order to retain coverage under the Board’ plans. Group life insurance may be continued for retirees with 10 years of service prior to retirement. Eligible employees will have their life insurance coverage modified as follows: An employee’s life insurance coverage on the day before the employee’s retirement is equal to final pay. When an employee elects to continue the basic employee term life insurance coverage, the coverage amount reduces to 42.5% of the active employee basic term life insurance amount. For each of the next four years, on the anniversary of the retirement, the life insurance amount will reduce by 7.5% of the active life amount. On the fourth anniversary of the retirement, the life insurance amount becomes 12.5% of the active life amount and will remain at that level for the lifetime as long as the premiums are paid.

Plan membership consisted of the following at July 1, 2016, the date of the latest actuarial valuation for employer reporting:

Retirees and beneficiaries receiving benefits	9,212
Active plan members	<u>22,143</u>
Total	<u><u>31,355</u></u>

Funding Policy. The Board 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% and the Board contributes 64% 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 64% respectively based on years of service. During fiscal year 2017, plan members and beneficiaries receiving benefits contributed \$37,315,988 (approximately 24.5% of current contributions). The Board and other contributing entities’ contributed \$115,059,262 (approximately 75.5% 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 enacted legislation (Bill No. 17-11) to create a Consolidated Retiree Health Benefits Trust (CRHBT) 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 CRHBT rather than to the Board’s OPEB Plan Trust. In FY 2017, the Montgomery County Council contributed \$63,055,000 and recorded as on behalf of the Board employees. In FY 2018 the Montgomery County Council contributed \$55,165,381 and recorded as on behalf of the Board employees.

The CRHBT is an agent multiple-employer defined benefit healthcare plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. The Board of Trustees has the exclusive authority to manage the assets of the CRHBT. The Board of Trustees consists of nineteen trustees and functions as part of the County. Separate financial statements are not issued for the CRHBT.

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Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 over time relative to the actuarial accrued liabilities for benefits.

NET OPEB LIABILITY

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. The net OPEB liability should be measured as of the OPEB plan’s most recent fiscal year end. The components of the Plan’s net OPEB liability as of June 30, 2017, were as follows:

Total OPEB liability	\$	2,677,550,932
Plan fiduciary net position		(385,355,507)
Net OPEB liability		2,292,195,425

Plan fiduciary net position as a percentage of the total OPEB liability:	14.39%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, then rolled forward using the single discount rate (SDR) which is based on the assumed 7.50% long term rate of return for projected benefits paid before the crossover year and the municipal bond index rate for projected benefits paid after the crossover year with using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	3.0%
Salary increases	1.95% to 9.40%, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates
Health care cost trend rates	Trend rates of 11.8% for Rx, 6.77% for pre-65 medical and 5.41% for 65+ medical, decreasing to an ultimate trend rate of 4.50%
Mortality	Healthy lives: RP-2014 White Collar mortality table, sex distinct, with generational morality improvements using scale MP-2014. The provision for future mortality improvement for healthy lives is based on the generational application of the MP-2014 improvement scales. Disabled lives: 100% of published rates for RP 2000 disabled mortality table, projected to 2022 using projections scale AA (sex distinct).

The total OPEB liability shown is based on an actuarial valuation performed as of July 1, 2016, and a measurement date of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to the OPEB plan’s fiscal year end.

The assets of CRHBT are managed by the County. The following target allocation was adopted asset allocation policy as of June 30, 2017 by the CRHBT’s Board. The long-term expected rate of return on CRHBT plan investments was determined by the County using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment

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expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 (see the discussion of the OPEB plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	19.00%	4.75%
International Equities	15.00	4.75
Emerging Market Equities	3.80	4.75
Global Equities	4.20	4.75
Private Equity	8.00	6.60
Credit Opportunities	2.00	5.05
Long Duration Fixed Income	13.50	2.05
High Yield Bonds	10.00	3.15
Global ILS	12.00	0.94
Private Real Assets	5.00	6.36
Public Real Assets	6.50	4.25
Cash	1.00	-0.30
Total	<u>100.00%</u>	

Discount Rate: A Single Discount Rate of 5.87% was used to measure the total OPEB liability as of June 30, 2017. The Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.5% and a municipal bond rate of 3.56%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2061. As a result, the long-term plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date.

By comparison, the Single Discount Rate as of June 30, 2016, was 5.27%, based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 2.85%.

All of the demographic assumptions and most of the economic assumptions used in the July 1, 2016 retirement system valuations performed by an actuarial firm.

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CHANGES IN THE NET OPEB LIABILITY

	Increase (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2016	\$ 2,747,375,124	\$ 304,788,014	\$ 2,442,587,110
Changes for the year			
Service cost	125,216,637		125,216,637
Interest	146,230,235		146,230,235
Differences between expected and actual experience	(270,838,727)		(270,838,727)
Contributions - employer		96,333,627	(96,333,627)
Medicare Part D subsidies		18,725,635	(18,725,635)
Contributions - employee		37,315,988	(37,315,988)
Net Investment Income		36,233,300	(36,233,300)
Benefit payments, including refunds of employee contributions	(70,432,337)	(107,748,325)	37,315,988
Administrative expense		(292,732)	292,732
Assumption changes			-
Net Changes	(69,824,192)	80,567,493	(150,391,685)
Balances as of 6/30/2017	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability calculated using the discount rate of 5.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (4.87%) or one percent higher (6.87%) than the current rate:

	<u>1% Decrease (4.87%)</u>	<u>Discount Rate (5.87%)</u>	<u>1% Increase (6.87%)</u>
Net OPEB liability	\$2,765,413,599	\$2,292,195,425	\$1,913,768,465

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$1,852,999,552	\$2,292,195,425	\$2,864,651,076

Rate of Return on Investments. The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, for FY 2017 was 11.99%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

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OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2018, the Board recognized OPEB expense of \$180,665,367. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 239,633,233
Net difference between projected and actual earnings on OPEB plan investments at measurement date		9,369,334
Board contributions subsequent to the measurement date	111,778,110	
Total	\$ 111,778,110	\$ 249,002,567

Board contributions of \$111,778,110 reported as deferred outflows of resources subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (33,547,827)
2020	(33,547,827)
2021	(33,547,827)
2022	(33,547,829)
2023	(31,205,494)
Thereafter	(83,605,763)
Total	\$ (249,002,567)

XIV. POSTEMPLOYMENT HEALTHCARE BENEFITS (GASB 74)

In FY 2017, a new accounting standard for OPEB plan (GASB 74) required the new measurement of the OPEB liability as Net OPEB liability, which is total OPEB liability less the amount of the OPEB plan’s fiduciary net position. Since the Board does not issue separate OPEB plan financial statements, the Board needs to disclose the required OPEB plan information, such as Net OPEB Liability, long-term expected rate of return on OPEB plan investments, and discount rate, etc.

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description. For a description of the plan and the benefits provided, see Note XIII.

Plan membership consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Inactive Plan Members with Medical Coverage	9,493
Active Plan Members	23,010
Total	32,503

Contributions. The Board 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% and the Board contributes 64% toward the current cost of healthcare benefits.

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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 64% respectively based on years of service. During fiscal year 2018, plan members and beneficiaries receiving benefits contributed \$39,875,875 (approximately 26.3% of current contributions). The Board and other contributing entities' contributed \$111,778,110 (approximately 73.7% of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

NET OPEB LIABILITY

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The net OPEB liability should be measured as of the OPEB plan's most recent fiscal year end. The components of the Plan's net OPEB liability as of June 30, 2018, were as follows:

Total OPEB liability	\$ 2,838,086,716
Plan fiduciary net position	(455,655,062)
Net OPEB liability	\$2,382,431,654
Plan fiduciary net position as a percentage of the total OPEB liability:	16.06%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, then rolled forward using the single discount rate (SDR) which is based on the assumed 7.50% long term rate of return for projected benefits paid before the crossover year and the municipal bond index rate for projected benefits paid after the crossover year with using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	3.0%
Salary increases	1.95% to 9.40%, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates
Health care cost trend rates	Trend rates of 11.8% for Rx, 6.77% for pre-65 medical and 5.41% for 65+ medical, decreasing to an ultimate trend rate of 4.50%
Mortality	Healthy lives: Healthy lives: RP-2014 White Collar mortality table, sex distinct, with generational morality improvements using scale MP-2014. The provision for future mortality improvement for healthy lives is based on the generational application of the MP-2014 improvement scales. Disabled lives: 100% of published rates for RP 2000 disabled mortality table, projected to 2022 using projections scale AA (sex distinct).

The total OPEB liability shown is based on an actuarial valuation performed as of July 1, 2017, and a measurement date of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the OPEB plan's fiscal year end.

Discount Rate: A Single Discount Rate of 5.4% was used to measure the total OPEB liability as of June 30, 2018. The Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.5% and a municipal bond rate of 3.62%. The projection of cash flows used to determine this Single

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Discount Rate assumes that for contributions until FY 2034, the County will contribute the amount of the net benefit payments plus 50% of the difference between the Annual Required Contribution calculation in the actuarial valuation and the projected net benefit payments. For contributions during FY 2034 and after, the County will contribute the Annual Required Contribution amount calculated in the actuarial valuation.

By comparison, the Single Discount Rate as of June 30, 2017, was 5.87%, based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 3.56%.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2017	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425
Changes for the year			
Service cost	88,364,530		88,364,530
Interest	157,630,127		157,630,127
Differences between expected and actual experience	(216,455,378)		(216,455,378)
Contributions - employer		90,580,304	(90,580,304)
Medicare Part D subsidies		21,197,806	(21,197,806)
Contributions - employee		39,875,875	(39,875,875)
Net Investment Income		31,492,273	(31,492,273)
Benefit payments, including refunds of employee contributions	(72,763,620)	(112,639,495)	39,875,875
Administrative expense		(207,208)	207,208
Assumption changes	203,760,125		203,760,125
Net Changes	160,535,784	70,299,555	90,236,229
Balance as of 6/30/2018	\$ 2,838,086,716	\$ 455,655,062	\$ 2,382,431,654

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability calculated using the discount rate of 5.4%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (4.4%) or one-percent higher (6.4%) than the current rate:

	<u>1% Decrease (4.4%)</u>	<u>Discount Rate (5.4%)</u>	<u>1% Increase (6.4%)</u>
Net OPEB liability	\$ 2,893,373,922	\$ 2,382,431,654	\$ 1,973,528,663

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$1,920,910,641	\$ 2,382,431,654	\$ 2,984,780,022

Rate of Return on Investments. The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, for FY 2018 was 8.82%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

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XV. 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	\$ 1,719,166,654	\$ 462,365,467	\$ 2,181,532,121
Total assets	<u>1,719,166,654</u>	<u>462,365,467</u>	<u>2,181,532,121</u>
Liabilities:			
Total liabilities		<u>6,710,405</u>	<u>6,710,405</u>
Net Position:			
Restricted for pension and other postemployment benefits	\$ 1,719,166,654	\$ 455,655,062	\$ 2,174,821,716

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 104,186,945	\$ 151,653,985	\$ 255,840,930
Net investment earnings	124,868,624	31,492,273	156,360,897
Total additions	<u>229,055,569</u>	<u>183,146,258</u>	<u>412,201,827</u>
Deductions:			
Benefit and premium payments	95,135,058	112,639,495	207,774,553
Administrative expenses	1,209,069	207,208	1,416,277
Total deductions	<u>96,344,127</u>	<u>112,846,703</u>	<u>209,190,830</u>
Change in net position	132,711,442	70,299,555	203,010,997
Net position – beginning	<u>1,586,455,212</u>	<u>385,355,507</u>	<u>1,971,810,719</u>
Net position – ending	\$ <u><u>1,719,166,654</u></u>	\$ <u><u>455,655,062</u></u>	\$ <u><u>2,174,821,716</u></u>

XVI. 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

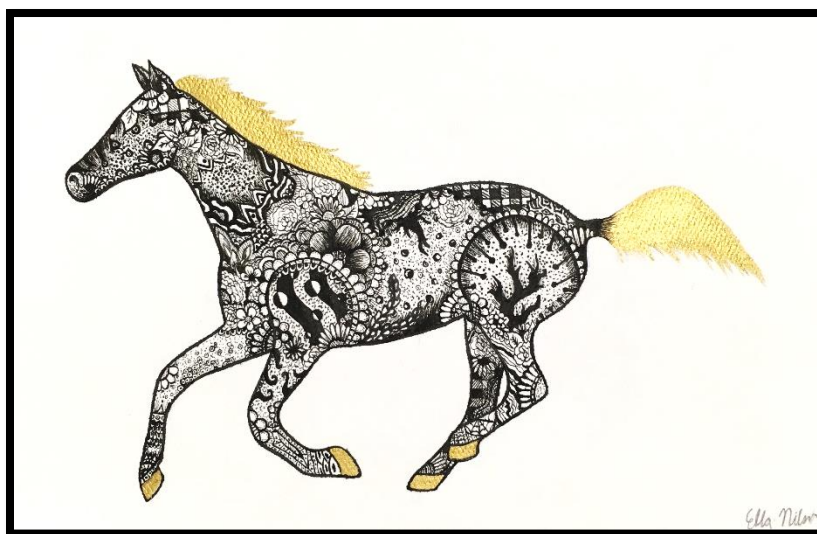
BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

XVII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and effects on net position of contributions made by the Board during the measurement period (fiscal year ending June 30, 2017). Due to the determination that the business-type activity would not be subject to the net OPEB liability going forward, the governmental activities absorbed the entire net OPEB liability. As a result, a restatement on the FY 2018 Statement of Activities reflects an increase of \$8,769,730 for Business-Type Activities, and a decrease of net position for Governmental Activities of \$1,846,547,887.



Student: Ella Nilsen, 8th Grade
School: Tilden Middle School



REQUIRED SUPPLEMENTARY INFORMATION

Board of Education of Montgomery County
June 30, 2018

BOARD OF EDUCATION OF MONTGOMERY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2018

Fiscal Year Ending	2018	2017	2016	2015	2014
Total pension Liability					
Service Cost	\$ 50,395,825	\$ 44,436,725	\$ 43,500,877	\$ 53,269,208	\$ 53,238,295
Interest	146,658,956	141,159,580	135,814,794	123,895,167	120,371,102
Benefit Changes					
Difference between Actual & Expected, if any	31,406,064		(22,132,062)	(18,234,988)	(47,593,419)
Assumption Changes	132,086,081			93,368,251	
Benefit Payments	(95,135,058)	(90,109,676)	(85,230,639)	(81,971,251)	(76,147,472)
Refund					
Net Change in Total Pension Liability	<u>265,411,868</u>	<u>95,486,629</u>	<u>71,952,970</u>	<u>170,326,387</u>	<u>49,868,506</u>
Total Pension Liability -Beginning	<u>1,977,417,960</u>	<u>1,881,931,331</u>	<u>1,809,978,361</u>	<u>1,639,651,974</u>	<u>1,589,783,468</u>
Total Pension Liability -Ending (a)	<u>\$ 2,242,829,828</u>	<u>\$ 1,977,417,960</u>	<u>\$ 1,881,931,331</u>	<u>\$ 1,809,978,361</u>	<u>\$ 1,639,651,974</u>
Plan Fiduciary Net Position					
Contribution -Employer	79,863,596	65,877,870	74,861,086	83,498,517	80,544,815
Contribution -Employee	24,323,349	23,749,197	22,949,001	22,486,721	21,578,300
Net Investment Income	124,868,624	172,942,114	(3,391,963)	26,441,619	179,375,231
Benefit Payments	(95,135,058)	(90,109,676)	(85,230,639)	(81,971,251)	(76,147,472)
Refund					
Admin Expense	(1,209,068)	(1,151,736)	(2,012,071)	(2,217,291)	(2,163,665)
Other					
Net change in Plan Fiduciary Net Position	<u>132,711,443</u>	<u>171,307,769</u>	<u>7,175,414</u>	<u>48,238,315</u>	<u>203,187,209</u>
Plan Fiduciary Net Position -beginning	<u>1,586,455,212</u>	<u>1,415,147,443</u>	<u>1,407,972,029</u>	<u>1,359,733,714</u>	<u>1,156,546,505</u>
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,719,166,655</u>	<u>\$ 1,586,455,212</u>	<u>\$ 1,415,147,443</u>	<u>\$ 1,407,972,029</u>	<u>\$ 1,359,733,714</u>
Net Pension Liability -Ending (a-b)	<u>523,663,173</u>	<u>390,962,748</u>	<u>466,783,888</u>	<u>402,006,332</u>	<u>279,918,260</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.65%	80.23%	75.20%	77.79%	82.93%
Covered Employee Payroll	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Employee Payroll	33.50%	26.62%	32.74%	28.12%	20.13%

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 NET PENSION LIABILITY
 YEAR ENDED JUNE 30, 2018

FY Ending 30-Jun	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Postion as a % of Total pension Liability	Covered Payroll	Net Pension Liability as a % of 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%
2016	1,881,931,331	1,415,147,443	466,783,888	75.20%	1,425,722,698	32.74%
2017	1,977,417,960	1,586,455,212	390,962,748	80.23%	1,468,494,379	26.62%
2018	2,242,829,828	1,719,166,655	523,663,173	76.65%	1,563,346,475	33.50%

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 PENSION CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2018

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 79,016,414	\$ 80,544,815	\$ (1,528,401)	\$ 1,390,868,330	5.79%
2015	44,295,412	83,498,517	(39,203,105)	1,429,764,138	5.84%
2016	58,384,555	74,861,086	(16,476,531)	1,425,722,698	5.25%
2017	59,762,674	65,877,870	(6,115,196)	1,468,494,379	4.49%
2018	58,627,379	79,863,596	(21,236,217)	1,563,346,475	5.11%

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

Note
 The Board contribution rate for fiscal year 2018 was based on updated results from the actuarial valuation as of July 1, 2016, and a contribution rate of 4.68% based on an investment return assumption of 7.25% (compared to a rate of 4.11% based on an investment return assumption of 7.5% in prior years.

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 PENSION PLAN INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2018

Fiscal year ending June 30	2018	2017	2016	2015	2014	2013
Actual money weighted rate of return, net of investment expense	7.8%	11.9%	-0.02%	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
SCHEDULE OF THE BOARD PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2018

<u>Employees' Retirement and Pension Systems</u>	Fiscal Year Ending			
	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.03042730%	0.03027640%	0.02665060%	0.02295670%
Board's proportionate share of the net pension liability (asset)	\$ 6,579,513	\$ 7,143,423	\$ 5,538,451	\$ 4,074,064
Board's covered payroll	\$ -	\$ -	\$ -	\$ -
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as of a percentage of the total pension liability	66.71%	62.97%	66.26%	69.53%

<u>Teachers' Retirement and Pension Systems</u>				
Board's proportion of the net pension liability (asset)	0.00000000%	0.00000000%	0.00000000%	0.00000000%
State's proportionate share of the net pension liability (asset) associated with the Board	\$ 1,757,492,373	\$ 1,871,367,674	\$ 1,522,877,235	\$ 1,115,879,101
Board's covered payroll	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	119.68%	131.26%	106.51%	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	71.41%	67.95%	70.76%	69.53%

Methods and assumptions used to determine contribution rates:

Valuation Date	7/1/2017
Measurement date	30-Jun
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, closed
Asset valuation method	5 year smoothing
Investment rate of return	7.50%
Discount rate	7.50%
Salary increases	3.15% to 9.15%, including wage inflation
Inflation	2.65% general, 3.15% wage
Retirement age	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rates	RP-2014 mortality tables

Note 1 - Changes in Benefit Terms - There were no benefit changes during the year

Note 2 - Changes in Assumptions - Adjustments to the roll-forward liabilities were made to reflect an inflation assumption change from 2.90% to 2.65%

Note 3 - 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 BOARD CONTRIBUTIONS
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2018

<u>Employees' Retirement and Pension Systems</u>	2018	2017	Fiscal Year Ending 2016	2015	2014
Contractually required contribution	\$ 619,299	\$ 589,809	\$ 561,723	\$ 534,974	\$ 509,499
Contributions in relation to the contractually required contribution	619,299	589,809	561,723	534,974	509,499
Contribution deficiency (excess)	-	-	-	-	-
<hr/>					
<u>Teachers' Retirement and Pension Systems</u>					
Contractually required contribution	\$ 168,182,560	\$ 157,007,517	\$ 156,997,295	\$ 148,989,559	\$ 131,705,430
Contributions in relation to the contractually required contribution	168,182,560	157,007,517	156,997,295	148,989,559	131,705,430
Contribution deficiency (excess)	-	-	-	-	-
<hr/>					
Board's covered payroll	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330	\$ 1,358,290,896
Contributions as a percentage of covered payroll	11.45%	11.01%	10.98%	10.71%	9.70%

<u>Employees' Retirement and Pension Systems</u>	2013	2012	2011	2010	2009
Contractually required contribution	\$ 485,237	\$ 462,130	\$ 440,124	\$ 419,166	\$ 399,206
Contributions in relation to the contractually required contribution	485,237	462,130	440,124	419,166	399,206
Contribution deficiency (excess)	-	-	-	-	-
<hr/>					
<u>Teachers' Retirement and Pension Systems</u>					
Contractually required contribution	\$ 173,954,985	\$ 169,926,025	\$ 149,981,157	\$ 124,897,387	\$ 115,507,019
Contributions in relation to the contractually required contribution	173,954,985	169,926,025	149,981,157	124,897,387	115,507,019
Contribution deficiency (excess)	-	-	-	-	-
<hr/>					
Board's covered payroll	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092	\$ 1,327,592,509
Contributions as a percentage of covered payroll	12.96%	13.01%	11.14%	9.24%	8.70%

Schedule shows contribution information for 10 years.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2018

Fiscal Year Ending	2018	2017
Total OPEB Liability		
Service Cost	\$ 88,364,530	\$ 125,216,637
Interest	157,630,127	146,230,235
Benefit Changes		
Different between Actual & Expected if any	(216,455,378)	
Assumption Changes	203,760,125	(270,838,727)
Benefit Payments, including refunds of employee contributions	(72,763,620)	(70,432,337)
Net Change in Total OPEB Liability	<u>160,535,784</u>	<u>(69,824,192)</u>
Total OPEB Liability -Beginning	<u>2,677,550,932</u>	<u>2,747,375,124</u>
Total OPEB Liability -Ending (a)	<u>\$ 2,838,086,716</u>	<u>\$ 2,677,550,932</u>
 Plan Fiduciary Net Position		
Contribution -Employer	90,580,304	96,333,627
Contribution -Nonemployer entities		
Medicare Part D subsidies	21,197,806	18,725,635
Contributions-member	39,875,875	37,315,988
Net Investment Income	31,492,273	36,233,300
Benefit Payments, including refunds of employee contributions	(112,639,495)	(107,748,325)
Admin Expense	(207,208)	(292,732)
Other		
Net change in Plan Fiduciary Net Position	<u>70,299,555</u>	<u>80,567,493</u>
Plan Fiduciary Net Position -beginning	<u>385,355,507</u>	<u>304,788,014</u>
Plan Fiduciary Net Position -Ending (b)	<u>\$ 455,655,062</u>	<u>\$ 385,355,507</u>
Net OPEB Liability -Ending (a-b)	<u>\$ 2,382,431,654</u>	<u>\$ 2,292,195,425</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	16.06%	14.39%
Covered Employee Payroll (c)	\$ 1,563,346,475	\$ 1,546,150,104
Net OPEB Liability as a Percentage of Covered Employee Payroll	152.39%	148.25%

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 NET OPEB PLAN LIABILITY
 YEAR ENDED JUNE 30, 2018

FY Ending 30-Jun	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425	14.39%	\$ 1,546,150,104	148.25%
2018	2,838,086,716	455,655,062	2,382,431,654	16.06%	1,563,346,475	152.39%

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 OPEB PLAN CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2018

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 136,339,000	\$ 115,059,262	\$ 21,279,738	\$ 1,546,150,104	7.44%
2018	168,287,000	111,778,110	56,508,890	1,563,346,475	7.15%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2017
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of projected payroll. Increasing 3% per year. Open basis 30
Remaining amortization period	years
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Inflation	3%
Salary increases	1.95% to 9.40%, including inflation
Retirement ages	Experience-based table of rates.
Health care cost trend rates	(initial, ultimate)
Medical pre-65	6.77%, 4.5%
Medical post-65	5.41%, 4.5%
Prescription drugs	11.8%, 4.5%
Dental	4.50%
Vision	3.50%
Mortality rates	Healthy lives: RP-2014 White Collar mortality table, sex distinct, with generational mortality improvements using scale MP-2014. The provision for future mortality improvement for healthy lives is based on the generational application of the MP-2014 improvement scales Disabled Lives: RP-2000 disabled mortality table, sex distinct, projected to 2022 using projection scale AA (static table)
Health Care Trend Rates	Trend rates of 11.8% for Rx, 6.77% for pre-65 medical and 5.41% for 65+ medical, decreasing to an ultimate trend rate of 4.50%

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

There were no changes in benefit terms or assumptions

Actuarially determined contribution was calculated and provided in the actuarial valuation report from the prior actuary and is equal to normal cost plus 30-year open level-percentage-of-payroll amortization of the unfunded liability.

Actual contribution equals the sum of the employer contribution and the Medicare Part D subsidy from the federal government.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2018

Fiscal year ending June 30	2018	2017
Actual money weighted rate of return, net of investment expense	8.82%	11.99%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
The information is provided by Montgomery County Employee Retirement Plans.



SUPPLEMENTARY DATA

Board of Education of Montgomery County
June 30, 2018

GOVERNMENTAL FUNDS

June 30, 2018

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, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 671,388,107	\$ 673,388,107	\$ 222,264,231	\$ (451,123,876)
State of Maryland	74,105,784	75,313,247	60,691,473	(14,621,774)
Federal	85,457	1,791,278	1,705,821	(85,457)
Other sources	<u>7,784,538</u>	<u>7,784,538</u>	<u>1,119,485</u>	<u>(6,665,053)</u>
Total revenues	753,363,886	758,277,170	285,781,010	(472,496,160)
Expenditures and encumbrances:				
Capital outlay	<u>753,363,886</u>	<u>758,277,170</u>	<u>285,781,010</u>	<u>472,496,160</u>
Total expenditures and encumbrances	<u>753,363,886</u>	<u>758,277,170</u>	<u>285,781,010</u>	<u>472,496,160</u>
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to GAAP fund balance:				
2017 encumbrances outstanding			<u>-</u>	
Fund balance - GAAP basis			<u>\$ -</u>	

BOARD OF EDUCATION OF MONTGOMERY COUNTY
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
JUNE 30, 2018

Award Number	Project Name	Project Authorization	Expended to Jun 30, 2018	Committed	Available for Future Expenditure
000000	Unliquidated Surplus for Local Funds	\$ 2,018,912	\$ -	\$ -	\$ 2,018,912
006503	Water and Indoor Air Quality Improvements	688,102	72,000	520,615	95,487
016532	Fire Safety Code Upgrades Local Funding	6,306,460	1,632,438	138,826	4,535,196
036510	Technology Modernization Local Funding	10,218,849		1,056,607	9,162,242
056501	Restroom Renovations Local Funding	1,814,562	1,317,524	39,137	457,901
076506	Building Modifications and Program Improvements	7,474,170	1,242,477	1,140,055	5,091,638
096501	Fairland Elementary School Local Funding	6,258,848	6,258,848		
096505	Montgomery Knolls Elementary School Local	4,163,292	3,995,042	168,250	
106500	County Water Quality Compliance	3,100			3,100
116504	Clarksburg Cluster ES (Clarksburg Village Site #1)	17,832,570	17,832,570		
116505	Clarksburg High School Local Funding	11,823,000	8,050,014	191,642	3,581,344
116506	Clarksburg/Damascus Middle School (New)	52,764,000	47,801,683	10,116	4,952,201
116510	Viers Mill Elementary School Addition 2013	11,172,865	11,154,498		18,367
116513	Wyngate Elementary School Addition 2013	7,346,823	7,221,886	13,203	111,734
136500	Arcola Elementary School Local Funding	3,841,000	3,654,304		186,696
136502	Bethesda-Chevy Chase Middle School #2 2017	54,114,000	54,363,073	(249,073)	
136504	North Chevy Chase Elementary School Local Funding	4,776,000	4,725,238	34,057	16,705
136505	Northwest Elementary School #8 (New) 2018	2,979,000			2,979,000
136507	Julius West Middle School Addition 2016	15,303,000	15,255,998		47,002
136508	Wood Acres ES Addition - State Funding	576,000	576,000		
136510	Alternative Schools Local	204,398			204,398
546034	Land Acquisition Local Funding	1,341,303			1,341,303
651503	North Bethesda MS Addition 2018	21,593,000	16,882,093	2,580,194	2,130,713
651504	Lucy V Barnsley ES Addition 2018	13,224,000	10,995,910	1,752,366	475,724
651505	Kensington-Parkwood ES Addition 2018	12,679,000	9,169,005	415,764	3,094,231
651510	Diamond Elementary School Addition 2018	9,147,000	7,235,216	73,645	1,838,139
651513	Bethesda-Chevy Chase HS Addition 2018	39,647,000	30,392,558	8,591,038	663,404
651515	Blair Ewing Center Improvements 2018	1,512,000			1,512,000
746032	Design and Construction Management	1,747,686		19,662	1,728,024
766995	Roof Replacement	28,095,575	11,344,168	6,596,523	10,154,884
796222	Energy Conservation	2,566,608	700,000	588,830	1,277,778
796235	ADA Compliance Local Funding	12,471,558	4,575,981	656,693	7,238,884
816633	HVAC Replacement	64,323,670	44,682,652	9,142,681	10,498,337
816695	Asbestos Abatement Local Funding	254,393		22,378	232,015
846540	Relocatable Classrooms Local Funding	4,710,892		2,412,339	2,298,553
876544	Stadium Lighting	350,872			350,872
896586	Planned Life Cycle Asset Replacement	8,650,957	5,013,815	2,036,188	1,600,954
916587	Rehab/Renovation of Closed Schools	62,348,122	57,400,782	4,360,257	587,083
926557	School Security Systems	150,453			150,453
926575	Current Replacements/Modernizations	615,689,365	328,596,717	149,955,806	137,136,842
956550	Stormwater Management	528,692	416,507		112,185
966553	Facility Planning Local Funding	1,939,550		138,223	1,801,327
975051	Improved (Safe) Access to Schools	6,294,779	3,889,454	1,412,806	992,519
651641	Shady Grove Transportation Depot Replacement	2,425,000			2,425,000
096503	Harmony Hills Elementary School Local Funding	5,448,741	5,307,314		141,427
096506	Rock View Elementary School Local Funding	5,470,000	5,007,742	40,622	421,636
651502	S. Christa McAuliffe ES Addition 2019	10,913,000	1,954,342	7,516,935	1,441,723
651507	Judith Resnick ES Addition 2020	871,000			871,000
651511	Burtonsville ES Addition 2020	1,172,000			1,172,000
651514	Ashburton ES Addition 2019	10,511,000	2,407,735	5,281,147	2,822,118
651518	Gaithersburg ES Additon 2020	3,900		1,500	2,400
651705	Thomas W. Pyle MS Addition 2020	1,426,000	874,305	444,690	107,005
651706	Takoma Park MS Addition 2020	1,954,000	507,845	488,800	957,355
651708	Pine Crest ES Addition 2020	703,000		5,000	698,000
651709	Montgomery Knolls ES Addition 2020	546,000	22,437	213,930	309,633
651713	Clarksburg Cluster ES (Village Site #2) 2019	34,684,000	5,720,704	23,965,971	4,997,325
116503	Bradley Hills ES Addition - State Funding	4,305,000	4,305,000		
116508	Georgian Forest ES Addition - State Funding	1,197,000	1,197,000		
116509	Somerset Elementary School Addition 2011	1,516,000	1,322,292	2,822	190,886
651704	Walt Whitman High School Addition 2021	1,660,000	40,557		1,619,443
651801	Outdoor Play Maintenance 2018	597,468		40,500	556,968
Total Open & Interim Projects		1,216,348,535	745,115,724	231,820,745	239,412,066
Capitalized land, equipment, furniture, & items not capitalized		(19,616,065)	(19,616,065)		
Interim closing of open projects **		(635,784,182)	(635,784,182)		
Total construction in progress		\$ 560,948,288	\$ 89,715,477	\$ 231,820,745	\$ 239,412,066

* Appropriations for school modernizations are approved by the Montgomery County Council in the aggregate as one project, although the Board separately accounts for each modernization. The school modernization project, in the aggregate, does not exceed the legally appropriated project authorization at June 30, 2018.

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

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, 2018

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,697,504	\$ 1,697,504	\$ 1,697,504	\$ -
Total revenues	-	1,697,504	1,697,504	1,697,504	-
Expenditures and encumbrances:					
Community services	212	1,697,716	\$ 1,697,716	1,680,588	17,128
Total expenditures and encumbrances	212	1,697,716	1,697,716	1,680,588	17,128
Excess of expenditures and encumbrances over revenues	(212)	(212)	(212)	16,916	17,128
Fund balance - beginning	212	212	212	280,688	280,476
Fund balance - ending	\$ -	\$ -	\$ -	\$ 297,604	\$ 297,604
Reconciliation to GAAP fund balance: 2018 encumbrances outstanding				30,900	
Fund balance - GAAP basis				\$ 328,504	

NONMAJOR ENTERPRISE FUNDS

June 30, 2018

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, 2018

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 742,817	\$ 339,212	\$ -	\$ 1,082,029
Accounts receivable	293,266	144,942	803,513	1,241,721
Due from other funds		57,188	585,971	643,159
Inventories			3,270	3,270
Total current assets	<u>1,036,083</u>	<u>541,342</u>	<u>1,392,754</u>	<u>2,970,179</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment			81,111	81,111
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>81,111</u>	<u>81,111</u>
Total assets	<u>1,036,083</u>	<u>541,342</u>	<u>1,473,865</u>	<u>3,051,290</u>
Liabilities				
Current liabilities:				
Accounts payable	159,359		828,847	988,206
Due to other funds	5,278		134,791	140,069
Unearned revenue			192,250	192,250
Capital leases - current			27,024	27,024
Total current liabilities	<u>164,637</u>	<u>-</u>	<u>1,182,912</u>	<u>1,347,549</u>
Noncurrent liabilities:				
Compensated absences	40,818	118,902	189,877	349,597
Total noncurrent liabilities	<u>40,818</u>	<u>118,902</u>	<u>189,877</u>	<u>349,597</u>
Total liabilities	<u>205,455</u>	<u>118,902</u>	<u>1,372,789</u>	<u>1,697,146</u>
Net Position				
Net investment in capital assets			81,111	81,111
Unrestricted	830,628	422,440	19,965	1,273,033
Total net position	<u>\$ 830,628</u>	<u>\$ 422,440</u>	<u>\$ 101,076</u>	<u>\$ 1,354,144</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, 2018

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 3,536,111	\$ 2,148,783	\$ 8,857,581	\$ 14,542,475
Total operating revenues	<u>3,536,111</u>	<u>2,148,783</u>	<u>8,857,581</u>	<u>14,542,475</u>
Operating expenses:				
Salaries and wages	507,124	1,374,595	1,130,212	3,011,931
Contracted services	106,727	55,322	6,943,054	7,105,103
Supplies and materials	43,081	587,293	362,271	992,645
Other charges	2,703,611	179,467	293,052	3,176,130
Depreciation			37,674	37,674
Total operating expenses	<u>3,360,543</u>	<u>2,196,677</u>	<u>8,766,263</u>	<u>14,323,483</u>
Operating income (loss)	<u>175,568</u>	<u>(47,894)</u>	<u>91,318</u>	<u>218,992</u>
Change in net position	175,568	(47,894)	91,318	218,992
Total net position - beginning	655,060	470,334	9,758	1,135,152
Total net position - ending	<u>\$ 830,628</u>	<u>\$ 422,440</u>	<u>\$ 101,076</u>	<u>\$ 1,354,144</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,509,356	\$ 2,046,932	\$ 8,205,537	\$ 13,761,825
Payments to suppliers	(141,152)	(642,615)	(6,769,430)	(7,553,197)
Payments to employees	(540,753)	(1,466,990)	(1,213,874)	(3,221,617)
Payments for assessments made by other funds	(148,979)	(78,922)	(169,802)	(397,703)
Payments for other operating expenses	(2,515,313)	-	(25,892)	(2,541,205)
Net cash provided (used) by operating activities	<u>163,159</u>	<u>(141,595)</u>	<u>26,539</u>	<u>48,103</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	-	-	(26,539)	(26,539)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(26,539)</u>	<u>(26,539)</u>
Increase (Decrease) in cash and cash equivalents	163,159	(141,595)	-	21,564
Cash and cash equivalents - beginning	579,658	480,807	-	1,060,465
Cash and cash equivalents - ending	<u>\$ 742,817</u>	<u>\$ 339,212</u>	<u>\$ -</u>	<u>\$ 1,082,029</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 175,568	\$ (47,894)	\$ 91,318	\$ 218,992
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation			37,674	37,674
Effects of changes in operating assets and liabilities:				
Receivables	(26,755)	(101,851)	(422,310)	(550,916)
Accounts payable	3,378		423,399	426,777
Due to other funds	5,278		121,736	127,014
Unearned revenue			(229,734)	(229,734)
Compensated absences	5,690	8,150	4,456	18,296
Net cash provided (used) by operating activities	<u>\$ 163,159</u>	<u>\$ (141,595)</u>	<u>\$ 26,539</u>	<u>\$ 48,103</u>

FIDUCIARY FUNDS

June 30, 2018

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, 2018

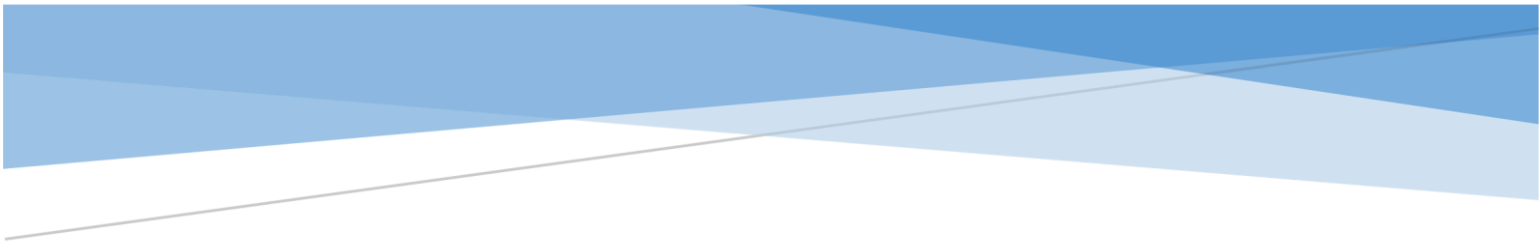
	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Global equities	\$ 967,306,424	\$ -	\$ 967,306,424
Fixed income securities	409,778,921		409,778,921
Real estate	97,530,749		97,530,749
Alternative investments	231,827,167		231,827,167
Short-term investments/CRHBT	12,393,629	430,796,744	443,190,373
Total investments	<u>1,718,836,890</u>	<u>430,796,744</u>	<u>2,149,633,634</u>
Accounts receivable		1,168,371	1,168,371
Due from Internal Service Fund		26,437,330	26,437,330
Due from General Fund	329,764	3,963,022	4,292,786
Total assets	<u>1,719,166,654</u>	<u>462,365,467</u>	<u>2,181,532,121</u>
LIABILITIES			
Accounts payable		388,298	388,298
Claims payable		6,322,107	6,322,107
Total liabilities	<u>-</u>	<u>6,710,405</u>	<u>6,710,405</u>
NET POSITION			
Restricted for pension and other postemployment benefits	<u>\$ 1,719,166,654</u>	<u>\$ 455,655,062</u>	<u>\$ 2,174,821,716</u>

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, 2018

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 79,863,596	\$ 90,580,304	\$ 170,443,900
Members	24,323,349	39,875,875	64,199,224
Federal government - Medicare Part D		21,197,806	21,197,806
Total contributions	<u>104,186,945</u>	<u>151,653,985</u>	<u>255,840,930</u>
Investment earnings:			
Net increase in fair value of investments	117,868,298		117,868,298
Interest and dividends	12,969,218	31,492,273	44,461,491
Total investment income	<u>130,837,516</u>	<u>31,492,273</u>	<u>162,329,789</u>
Less investment expense:			
Investment fees and other	(5,968,892)		(5,968,892)
Total investment expense	<u>(5,968,892)</u>	<u>-</u>	<u>(5,968,892)</u>
Net investment earnings	<u>124,868,624</u>	<u>31,492,273</u>	<u>156,360,897</u>
Total additions	<u>229,055,569</u>	<u>183,146,258</u>	<u>412,201,827</u>
DEDUCTIONS			
Benefits paid to plan members	95,135,058	94,798,239	189,933,297
Premiums paid to insurance companies		17,841,256	17,841,256
Administrative expenses	1,209,069	207,208	1,416,277
Total deductions	<u>96,344,127</u>	<u>112,846,703</u>	<u>209,190,830</u>
Change in net position	132,711,442	70,299,555	203,010,997
Net position - beginning	<u>1,586,455,212</u>	<u>385,355,507</u>	<u>1,971,810,719</u>
Net position - ending	<u>\$ 1,719,166,654</u>	<u>\$ 455,655,062</u>	<u>\$ 2,174,821,716</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments	\$ 15,855,589	\$ 34,581,133	\$ 34,680,810	\$ 15,755,912
Accounts receivable	2,295,475	1,846,798	2,295,475	1,846,798
Inventories	<u>151,382</u>	<u>163,164</u>	<u>151,382</u>	<u>163,164</u>
Total assets	<u>\$ 18,302,446</u>	<u>\$ 36,591,095</u>	<u>\$ 37,127,667</u>	<u>\$ 17,765,874</u>
Liabilities				
Accounts payable	\$ 1,730,235	\$ 1,594,706	\$ 1,730,235	\$ 1,594,706
Due to student groups	<u>16,572,211</u>	<u>34,996,389</u>	<u>35,397,432</u>	<u>16,171,168</u>
Total liabilities	<u>\$ 18,302,446</u>	<u>\$ 36,591,095</u>	<u>\$ 37,127,667</u>	<u>\$ 17,765,874</u>



STATISTICAL SECTION

Board of Education of Montgomery County
June 30, 2018

STATISTICAL SECTION

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This section of the 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.

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Financial Trends	113-121
These schedules provide trend information to help the reader understand how the Board's financial performance and well-being have changed over time.	
Revenue Capacity	122-128
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. Montgomery County levies property taxes and the Board has no authority to collect taxes.	
Debt Capacity	129-132
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. The Board has no authority to issue bonds. The debt is issued by the Montgomery County.	
Demographic and Economic Information	133-134
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.	
Operating Information	136-139
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.	

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in capital assets	\$ 1,901,060,879	\$ 1,972,419,863	\$ 2,073,974,398	\$ 2,234,805,426	\$ 2,377,418,879
Restricted for Instructional TV, Expendable					
Unrestricted	<u>(202,703,251)</u>	<u>(303,827,808)</u>	<u>(367,057,361)</u>	<u>(446,600,594)</u>	<u>(487,587,959)</u>
Total governmental activities net position	<u>\$ 1,698,357,628</u>	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>	<u>\$ 1,788,204,832</u>	<u>\$ 1,889,830,920</u>
Business-type activities:					
Net Investment in capital assets	\$ 4,231,936	\$ 3,951,552	\$ 3,759,753	\$ 3,570,524	\$ 3,105,386
Unrestricted	<u>(6,415,787)</u>	<u>(7,848,406)</u>	<u>(7,483,923)</u>	<u>(6,792,149)</u>	<u>(7,068,728)</u>
Total business-type activities net position	<u>\$ (2,183,851)</u>	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>	<u>\$ (3,221,625)</u>	<u>\$ (3,963,342)</u>
Primary government:					
Net Investment in capital assets	\$ 1,905,292,815	\$ 1,976,371,415	\$ 2,077,734,151	\$ 2,238,375,950	\$ 2,380,524,265
Restricted for Instructional TV, Expendable					
Unrestricted	<u>(209,119,038)</u>	<u>(311,676,214)</u>	<u>(374,541,284)</u>	<u>(453,392,743)</u>	<u>(494,656,687)</u>
Total primary government net position	<u>\$ 1,696,173,777</u>	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>	<u>\$ 1,784,983,207</u>	<u>\$ 1,885,867,578</u>
<hr/>					
	2014	2015	2016	2017	2018
Governmental Activities:					
Net Investment in capital assets	\$ 2,467,557,443	\$ 2,545,451,592	\$ 2,639,420,067	\$ 2,749,974,181	\$ 2,884,728,055
Restricted for Instructional TV, Expendable				280,688	328,504
Unrestricted	<u>(574,669,171)</u>	<u>(961,916,071)</u>	<u>(999,244,078)</u>	<u>(1,024,990,225)</u>	<u>(2,824,799,646)</u>
Total governmental activities net position	<u>\$ 1,892,888,272</u>	<u>\$ 1,583,535,521</u>	<u>\$ 1,640,175,989</u>	<u>\$ 1,725,264,644</u>	<u>\$ 60,256,913</u>
Business-type activities:					
Net Investment in capital assets	\$ 4,936,206	\$ 5,195,791	\$ 4,439,974	\$ 5,476,647	\$ 6,625,622
Unrestricted	<u>(7,848,538)</u>	<u>(7,337,109)</u>	<u>(5,288,323)</u>	<u>(1,101,387)</u>	<u>12,052,586</u>
Total business-type activities net position	<u>\$ (2,912,332)</u>	<u>\$ (2,141,318)</u>	<u>\$ (848,349)</u>	<u>\$ 4,375,260</u>	<u>\$ 18,678,208</u>
Primary government:					
Net Investment in capital assets	\$ 2,472,493,649	\$ 2,550,647,383	\$ 2,643,860,041	\$ 2,755,450,828	\$ 2,891,353,677
Restricted for Instructional TV, Expendable *				280,688	328,504
Unrestricted	<u>(582,517,709)</u>	<u>(969,253,180)</u>	<u>(1,004,532,401)</u>	<u>(1,026,091,612)</u>	<u>(2,812,747,060)</u>
Total primary government net position	<u>\$ 1,889,975,940</u>	<u>\$ 1,581,394,203</u>	<u>\$ 1,639,327,640</u>	<u>\$ 1,729,639,904</u>	<u>\$ 78,935,121</u>

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

In FY 2018, net position has been restated to conform with GASB Statement No. 75, *Accounting and Financial Reporting for OPEB*.

* Beginning in FY 2017, restricted for Instructional TV was reported under restricted net position.

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,344,807,372	\$ 1,382,022,729	\$ 1,395,636,699	\$ 1,401,069,607
Special education	357,740,728	382,151,880	381,185,135	392,862,396
School administration	192,005,481	195,915,953	198,448,243	202,692,468
Student personnel services	16,709,007	16,590,455	15,726,065	16,251,838
Health services	31,477	40,091	17,919	17,911
Total instruction	<u>1,911,294,065</u>	<u>1,976,721,108</u>	<u>1,991,014,061</u>	<u>2,012,894,220</u>
Support services:				
Student transportation	122,633,059	125,139,197	126,428,398	129,115,379
Operation of plant	145,189,882	153,349,143	149,740,270	147,289,980
Maintenance of plant	57,587,517	59,180,621	60,799,687	64,129,559
Administration	63,094,864	60,891,077	58,701,766	57,291,531
Community services	2,168,062	2,291,223	2,129,034	2,090,179
Interest on capital leases	2,040,350	1,750,321	1,197,169	897,345
Total support services	<u>392,713,734</u>	<u>402,601,582</u>	<u>398,996,324</u>	<u>400,813,973</u>
Total government activities expenses	<u>2,304,007,799</u>	<u>2,379,322,690</u>	<u>2,390,010,385</u>	<u>2,413,708,193</u>
Business-type activities				
Food services	46,457,265	45,687,584	48,218,118	49,720,564
Real estate management	2,489,426	2,591,862	3,055,284	3,220,047
Field trips	1,772,511	1,697,423	1,751,109	1,770,547
Entrepreneurial activities	1,444,433	2,001,442	2,031,272	1,983,788
Total business-type activities expenses	<u>52,163,635</u>	<u>51,978,311</u>	<u>55,055,783</u>	<u>56,694,946</u>
Total primary government expenses	<u>\$ 2,356,171,434</u>	<u>\$ 2,431,301,001</u>	<u>\$ 2,445,066,168</u>	<u>\$ 2,470,403,139</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 5,033,518	\$ 4,616,997	\$ 4,111,198	\$ 3,820,871
Operating grants and contributions	77,829,710	126,099,052	112,581,279	83,474,771
Capital grants and contributions	48,858,868	44,257,276	54,258,286	59,387,969
Total governmental activities program revenues	<u>131,722,096</u>	<u>174,973,325</u>	<u>170,950,763</u>	<u>146,683,611</u>
Business-type activities				
Charges for services:				
Food services	22,191,730	18,621,337	18,577,749	19,252,693
Real estate management	2,397,720	2,667,604	2,812,240	2,892,122
Field trips	1,578,741	1,543,871	1,671,121	1,778,378
Entrepreneurial activities	1,872,573	1,849,158	3,633,389	2,186,618
Operating grants and contributions	21,564,749	24,871,047	27,800,835	30,590,480
Capital grants and contributions	405,452	641,790	696,950	464,308
Total business-type activities program revenues	<u>50,010,965</u>	<u>50,194,807</u>	<u>55,192,284</u>	<u>57,164,599</u>
Total primary government program revenues	<u>\$ 181,733,061</u>	<u>\$ 225,168,132</u>	<u>\$ 226,143,047</u>	<u>\$ 203,848,210</u>
Net (expense)/revenue				
Governmental activities	(2,172,285,703)	(2,204,349,365)	(2,219,059,622)	(2,267,024,582)
Business-type activities	(2,152,670)	(1,783,504)	136,501	469,653
	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>	<u>(2,218,923,121)</u>	<u>(2,266,554,929)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,656,384,034	\$ 1,550,665,251	\$ 1,553,166,556	\$ 1,581,675,500
State of Maryland	597,009,068	616,478,426	668,581,752	761,695,928
Federal government	2,728,591	6,454,228	35,268,390	4,414,871
Other income	684,245	985,888	367,906	526,078
Transfers	4,501	-	-	-
Total government activities	<u>2,256,810,439</u>	<u>2,174,583,793</u>	<u>2,257,384,604</u>	<u>2,348,312,377</u>
Business-type activities				
Other income	161,500	70,501	36,183	32,892
Transfers	(4,501)	-	-	-
Total business-type activities	<u>156,999</u>	<u>70,501</u>	<u>36,183</u>	<u>32,892</u>
Total primary government	<u>\$ 2,256,967,438</u>	<u>\$ 2,174,654,294</u>	<u>\$ 2,257,420,787</u>	<u>\$ 2,348,345,269</u>
Change in Net Position				
Governmental activities	\$ 84,524,736	\$ (29,765,572)	\$ 38,324,982	\$ 81,287,795
Business-type activities	(1,995,671)	(1,713,003)	172,684	502,545
Total primary government	<u>\$ 82,529,065</u>	<u>\$ (31,478,575)</u>	<u>\$ 38,497,666</u>	<u>\$ 81,790,340</u>

In fiscal year 2015, net position has been restated to conform with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
In fiscal year 2018, net position has been restated to conform with GASB Statement No. 75, *Accounting and Financial Reporting for OPEB*.

	2013	2014	2015	2016	2017	2018
\$	1,425,776,788	\$ 1,510,082,837	\$ 1,507,192,601	\$ 1,509,093,578	\$ 1,633,033,361	\$ 1,616,010,500
	398,480,390	436,204,642	433,278,196	456,783,996	468,463,510	472,508,294
	204,795,867	210,172,216	203,472,513	207,845,076	217,940,076	212,525,992
	15,992,374	16,496,795	16,623,187	17,050,375	17,126,556	16,988,187
	20,074	17,336	1,594	836	1,577	1,411
	<u>2,045,065,493</u>	<u>2,172,973,826</u>	<u>2,160,568,091</u>	<u>2,190,773,861</u>	<u>2,336,565,080</u>	<u>2,318,034,384</u>
	129,890,569	136,415,463	134,999,834	138,795,597	140,687,102	140,237,799
	150,099,667	158,947,644	169,601,304	169,976,798	170,791,707	172,434,134
	69,624,065	76,505,617	69,525,061	69,797,436	71,483,269	74,579,051
	58,481,042	59,544,537	64,351,553	60,021,749	64,961,620	68,058,928
	2,548,923	3,103,601	3,168,196	3,095,853	3,200,420	3,220,575
	801,273	745,756	784,439	1,086,674	1,028,146	1,183,963
	<u>411,445,539</u>	<u>435,262,618</u>	<u>442,430,387</u>	<u>442,774,107</u>	<u>452,152,264</u>	<u>459,714,450</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>	<u>2,788,717,344</u>	<u>2,777,748,834</u>
	51,249,507	52,926,067	54,353,613	56,469,606	58,125,752	57,733,700
	3,039,558	2,845,571	3,385,485	3,251,364	3,226,308	3,360,543
	1,664,949	1,803,944	1,895,960	1,991,456	2,006,344	2,196,677
	2,604,177	2,356,182	2,466,024	2,504,873	3,875,067	8,766,263
	<u>58,558,191</u>	<u>59,931,764</u>	<u>62,101,082</u>	<u>64,217,299</u>	<u>67,233,471</u>	<u>72,057,183</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>	<u>2,855,950,815</u>	<u>2,849,806,017</u>
\$	3,871,684	\$ 3,848,232	\$ 3,804,324	\$ 4,001,803	\$ 4,146,827	\$ 3,358,232
	77,994,243	79,196,930	80,147,449	78,289,593	76,400,678	84,092,926
	67,644,476	59,687,504	78,396,597	54,561,101	72,592,518	70,241,200
	<u>149,510,403</u>	<u>142,732,666</u>	<u>162,348,370</u>	<u>136,852,497</u>	<u>153,140,023</u>	<u>157,692,358</u>
	17,907,925	16,631,652	16,303,287	16,119,711	17,148,111	17,476,818
	3,026,997	2,744,862	3,277,410	3,536,447	3,194,139	3,536,111
	1,735,962	1,786,478	2,003,127	2,184,988	2,053,978	2,148,783
	2,235,250	1,974,638	2,205,227	2,226,617	4,040,576	8,857,581
	32,844,833	35,934,919	38,684,559	41,326,131	44,102,198	44,052,643
	30,898	1,877,408	381,764	104,574	1,909,310	1,509,107
	<u>57,781,865</u>	<u>60,949,957</u>	<u>62,855,374</u>	<u>65,498,468</u>	<u>72,448,312</u>	<u>77,581,043</u>
\$	<u>207,292,268</u>	<u>203,682,623</u>	<u>225,203,744</u>	<u>202,350,965</u>	<u>225,588,335</u>	<u>235,273,401</u>
	(2,307,000,629)	(2,465,503,778)	(2,440,650,108)	(2,496,695,471)	(2,635,577,321)	(2,620,056,476)
	(776,326)	1,018,193	754,292	1,281,169	5,214,841	5,523,860
	<u>(2,307,776,955)</u>	<u>(2,464,485,585)</u>	<u>(2,439,895,816)</u>	<u>(2,495,414,302)</u>	<u>(2,630,362,480)</u>	<u>(2,614,532,616)</u>
\$	1,633,828,866	\$ 1,672,780,820	\$ 1,672,029,373	\$ 1,699,998,943	\$ 1,829,282,694	\$ 1,873,380,768
	771,174,249	792,450,552	810,716,731	829,182,141	871,366,816	892,225,277
	2,758,250	1,930,243	7,387,393	15,914,171	19,672,201	21,302,600
	865,352	1,399,515	460,704	8,240,684	344,265	14,687,987
	<u>2,408,626,717</u>	<u>2,468,561,130</u>	<u>2,490,594,201</u>	<u>2,553,335,939</u>	<u>2,720,665,976</u>	<u>2,801,596,632</u>
	34,609	32,817	16,722	11,800	8,768	9,358
	<u>34,609</u>	<u>32,817</u>	<u>16,722</u>	<u>11,800</u>	<u>8,768</u>	<u>9,358</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>	<u>2,720,674,744</u>	<u>2,801,605,990</u>
\$	101,626,088	\$ 3,057,352	\$ 49,944,093	\$ 56,640,468	\$ 85,088,655	\$ 181,540,156
	(741,717)	1,051,010	771,014	1,292,969	5,223,609	5,533,218
\$	<u>100,884,371</u>	<u>4,108,362</u>	<u>50,715,107</u>	<u>57,933,437</u>	<u>90,312,264</u>	<u>187,073,374</u>



Student: Martina Montero Alonso, 5th Grade
School: Bradley Hills Elementary School

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

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund:					
Nonspendable	\$ 6,289,918	\$ 7,221,461	\$ 6,567,714	\$ 7,310,053	\$ 7,745,654
Assigned	6,183,758	6,104,012	6,370,994	7,069,165	5,478,166
Unassigned	44,346,530	206,026	16,999,947	28,660,135	36,068,895
Total general fund	<u>\$ 56,820,206</u>	<u>\$ 13,531,499</u>	<u>\$ 29,938,655</u>	<u>\$ 43,039,353</u>	<u>\$ 49,292,715</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 245,077	\$ 265,873	\$ 279,707	\$ 287,268	\$ 365,128
Committed - Capital projects fund	(13,858,371)	-			
Total all other governmental funds	<u>\$ (13,613,294)</u>	<u>\$ 265,873</u>	<u>\$ 279,707</u>	<u>\$ 287,268</u>	<u>\$ 365,128</u>
<hr/>					
	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 7,952,232	\$ 7,456,908	\$ 7,781,042	\$ 7,850,918	\$ 8,264,483
Assigned	2,510,534	2,758,823	3,615,674	8,262,452	14,765,257
Unassigned	25,709,467	24,048,758	21,926,344	12,217,790	17,068,844
Total general fund	<u>\$ 36,172,233</u>	<u>\$ 34,264,489</u>	<u>\$ 33,323,060</u>	<u>\$ 28,331,160</u>	<u>\$ 40,098,584</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 304,595	\$ 265,417	\$ 265,286	\$ 280,688	\$ 328,504
Committed - Capital projects fund					
Total all other governmental funds	<u>\$ 304,595</u>	<u>\$ 265,417</u>	<u>\$ 265,286</u>	<u>\$ 280,688</u>	<u>\$ 328,504</u>

Information for fiscal years 2009 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)

	2009	2010	2011	2012
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,704,483,481	\$ 1,593,469,961	\$ 1,598,298,058	\$ 1,634,325,263
State of Maryland	602,257,843	619,385,100	672,165,098	765,912,232
Federal Government	73,709,427	127,230,073	146,479,166	88,309,979
Other	8,081,214	8,107,202	6,936,945	6,448,515
Total Revenue	<u>2,388,531,965</u>	<u>2,348,192,336</u>	<u>2,423,879,267</u>	<u>2,494,995,989</u>
Expenditures				
Current:				
Administration	\$ 41,116,832	\$ 39,543,392	\$ 36,954,635	\$ 35,931,627
Mid-level administration	133,558,653	133,865,561	135,139,216	132,955,672
Instructional salaries and wages	835,121,087	851,338,027	824,315,364	806,181,103
Instructional textbooks and supplies	27,836,308	26,674,306	21,939,573	24,407,914
Other instructional costs	13,416,424	11,456,405	11,571,972	13,588,680
Special education	259,846,857	273,368,914	271,395,047	270,775,788
Student personnel services	11,544,552	11,289,494	10,680,737	10,649,399
Health services	31,125	38,695	16,267	16,908
Student transportation	87,139,938	87,252,913	94,135,828	95,559,434
Operation of plant	113,847,318	115,639,206	113,952,839	111,067,453
Maintenance of plant	34,797,983	34,612,073	33,013,662	31,575,617
Fixed charges	557,052,644	596,364,990	636,600,510	666,817,831
Community services	1,662,113	1,756,954	1,608,047	1,519,629
Debt service:				
Capital lease principal	24,465,455	20,178,442	19,024,733	18,844,888
Capital lease interest	2,040,350	1,750,321	1,197,169	897,345
Capital outlay	239,036,321	178,597,204	213,558,453	286,212,343
Total expenditures	<u>2,382,513,960</u>	<u>2,383,726,897</u>	<u>2,425,104,052</u>	<u>2,507,001,631</u>
Excess (deficiency) of Revenues over expenditures	6,018,005	(35,534,561)	(1,224,785)	(12,005,642)
Other financing sources				
Capital lease financing	\$ 21,883,195	\$ 6,125,021	\$ 17,645,775	\$ 25,113,901
Technology loans from Montgomery County				
Transfers in	4,501	0		
Transfers out				
Total other financing sources	<u>21,887,696</u>	<u>6,125,021</u>	<u>17,645,775</u>	<u>25,113,901</u>
Net change in fund balances	<u>\$ 27,905,701</u>	<u>\$ (29,409,540)</u>	<u>\$ 16,420,990</u>	<u>\$ 13,108,259</u>
Debt service as a percentage of noncapital expenditures	1.3%	1.0%	0.9%	0.9%

2013	2014	2015	2016	2017	2018
\$ 1,697,311,813	\$ 1,722,421,710	\$ 1,746,734,700	\$ 1,751,827,765	\$ 1,899,983,488	\$ 1,942,980,004
776,187,259	802,146,773	818,487,290	832,480,205	873,853,069	896,240,261
77,668,057	79,111,667	81,162,630	91,387,696	93,191,282	99,806,421
6,501,793	7,613,644	6,557,953	7,979,169	6,778,158	6,877,603
<u>2,557,668,922</u>	<u>2,611,293,794</u>	<u>2,652,942,573</u>	<u>2,683,674,835</u>	<u>2,873,805,997</u>	<u>2,945,904,289</u>
\$ 38,361,432	\$ 37,180,315	\$ 43,121,059	\$ 38,137,108	\$ 43,005,135	\$ 46,373,276
135,537,267	136,161,260	136,742,143	138,754,954	145,298,770	146,059,390
831,267,986	862,096,690	887,923,350	903,658,977	957,765,591	978,816,045
24,850,483	23,239,502	23,110,188	20,622,147	26,389,897	23,469,595
13,409,988	13,676,632	10,131,255	9,246,817	11,324,064	13,457,116
275,623,730	291,929,538	298,528,876	313,795,044	321,502,025	333,569,547
10,572,269	10,682,855	11,185,874	11,392,324	11,396,245	11,683,385
18,994	16,388	1,594	836	1,577	1,411
95,911,020	101,036,031	102,233,482	103,885,365	105,176,130	106,938,152
112,560,889	118,604,859	127,576,145	126,557,151	130,631,994	135,115,367
33,286,341	33,947,985	31,557,851	35,772,435	34,661,021	36,696,411
705,727,831	758,138,841	759,060,741	750,150,331	819,971,483	813,415,347
1,888,449	2,281,607	2,436,418	2,291,995	2,358,835	2,478,259
19,394,211	21,691,477	28,238,622	28,223,640	30,098,676	30,934,266
801,273	745,756	784,439	1,086,674	1,028,145	1,183,963
280,935,624	237,654,916	234,711,185	223,192,574	269,116,996	285,128,443
<u>2,580,147,787</u>	<u>2,649,084,652</u>	<u>2,697,343,222</u>	<u>2,706,768,372</u>	<u>2,909,726,584</u>	<u>2,965,319,973</u>
(22,478,865)	(37,790,858)	(44,400,649)	(23,093,537)	(35,920,587)	(19,415,684)
\$ 28,810,087	\$ 24,609,843	\$ 42,453,727	\$ 22,151,977	\$ 30,944,089	\$ 31,230,924
<u>28,810,087</u>	<u>24,609,843</u>	<u>42,453,727</u>	<u>22,151,977</u>	<u>30,944,089</u>	<u>31,230,924</u>
\$ 6,331,222	\$ (13,181,015)	\$ (1,946,922)	\$ (941,560)	\$ (4,976,498)	\$ 11,815,240
0.9%	0.9%	1.2%	1.2%	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
YEAR ENDED JUNE 30, 2017*

Operating Revenues:	
Contributions by other agencies	\$ 44,750,707
Contributions by the Board of Education	<u>17,265,233</u>
Total operating revenue	<u>62,015,940</u>
 Operating Expenses:	
Self-insurance losses, net of recoveries	54,748,312
Other costs at risk	6,415,829
Commercial insurance	4,587,703
Other operating expenses	<u>4,497,637</u>
Total operating expenses	<u>70,249,481</u>
Operating Gain (Loss)	<u>(8,233,541)</u>
 Nonoperating Revenues:	
Interest on investments	1,023,332
Other revenue	<u>574,405</u>
Total nonoperating revenues	<u>1,597,737</u>
 Transfers In/Out:	
Transfers In/Out	<u>(4,312)</u>
Total transfers In/Out	<u>(4,312)</u>
Change in net position	<u>(6,640,116)</u>
Total net position - beginning of year, as restated	<u>12,672,017</u>
Total net position (deficit) - end of year	<u>\$ 6,031,901</u>

* Date of the most current available information.

Source: Montgomery County FY 2017 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)
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%	49
2015	64,224,227	973,638	65,197,865	0.08%	63
2016	58,152,564	655,347	58,807,911	0.07%	56
2017	58,997,977	651,328	59,649,305	0.07%	57
2018	59,294,633	386,164	59,680,797	0.07%	56

Notes:

Details regarding the Board's outstanding debt can be found in notes VIII and IX to the financial statements.

(1) Personal income and population used in calculations are found in the Montgomery County FY 2018 CAFR Demographic Statistics - Last Ten Fiscal Years (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	Total Adjusted Levy	Amount (1)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2009	\$ 1,282,437,423	\$ 1,261,219	\$ 1,283,698,642	\$ 1,278,337,019	99.68 %	\$ 679,247	\$ 1,279,016,266	99.64 %
2010	1,344,626,102	(5,599,313)	\$ 1,339,026,789	1,343,140,289	99.89	(17,225,928)	1,325,914,361	99.02
2011	1,350,416,973	(2,565,756)	\$ 1,347,851,217	1,349,698,631	99.95	(4,130,169)	1,345,568,462	99.83
2012	1,365,605,932	(241,681)	\$ 1,365,364,251	1,363,217,734	99.83	752,806	1,363,970,540	99.90
2013	1,390,542,228	(1,449,573)	\$ 1,389,092,655	1,384,563,178	99.57	769,815	1,385,332,993	99.73
2014	1,437,898,506	(864,437)	\$ 1,437,034,069	1,434,787,650	99.78	(1,786,985)	1,433,000,665	99.72
2015	1,447,816,313	1,534,855	\$ 1,449,351,168	1,442,602,468	99.64	2,337,816	1,444,940,284	99.70
2016	1,521,343,303	(3,758,344)	\$ 1,517,584,959	1,518,519,304	99.81	(8,136,221)	1,510,383,083	99.53
2017	1,663,208,936	(966,214)	\$ 1,662,242,722	1,661,121,521	99.87	(1,273,461)	1,659,848,060	99.86
2018	1,679,004,512	-	\$ 1,679,004,512	1,678,245,742	99.95	-	1,678,245,742	99.95

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. See Montgomery County FY 2018 Table 12, Note (2) for treatment of such overpayments.

Table Reference Source: Montgomery County FY 2018 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	
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,473	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	135,320,234,942	34,855,968,247	37,722,909,358	159,891,865,334	173,043,144,300	1.008
2015	127,929,975,330	132,432,686,677	35,726,782,876	36,984,247,284	163,656,758,206	169,416,933,961	0.995
2016	130,228,674,548	139,133,199,303	39,947,771,504	42,679,243,060	170,176,446,052	181,812,442,363	0.986
2017	136,227,683,441	146,324,042,364	41,267,669,577	44,326,175,700	177,495,353,018	190,650,218,064	1.025
2018	141,123,298,797	149,442,250,755	42,870,571,864	45,397,711,116	183,993,870,661	194,839,961,871	0.999

Fiscal Year	Personal Property (2)					Real and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value	
	Business		Public Utility		Total	Assessed Value	Estimated Actual Value		
	Individuals	Corporations	Operating Property	Domestic Shares	Total				
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,493	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	176,752,471,808	92.56
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	173,072,067,171	96.67
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	185,696,791,380	93.73
2017	58,246,910	2,294,129,160	1,353,826,658	345,169,740	4,051,372,468	2.547	181,546,725,486	194,701,590,532	93.24
2018	59,939,710	2,365,219,600	1,415,902,926	347,503,030	4,188,565,266	2.487	188,182,435,927	199,028,527,137	94.55

NOTES:

- * Exempt and nontaxable property are not included in this table.
 - * The following classes of property are not taxed: 1) personal property not used in a trade, business, or profession, and 2) business inventories.
 - * Intangible personal property is exempt from taxation except in two instances: shares of stock in certain domestic utilities and oil pipeline corporations (shown above), and intangible personal property of corporations under a contract with the State, granted charter exemptions from property taxation.
 - * Property owned by the Federal government, the State, or a subdivision or agency of either, is exempt. Also exempt are real and personal property used for religious, educational, or charitable purposes. Specific exemptions involve historical property, societies and museums, conservation property, cemeteries, certain fraternal and service organizations, continuing care facilities for the aged, nonprofit housing property, and dwelling houses of disabled veterans and blind persons.
 - * Ratio for real property in FY 2014, FY 2015, FY 2016, and FY 2017 updated by the State Department of Assessments and Taxation
 - * Ratio for real property for FY 2018 not available used average of ratios FY 2015-FY 2017.
 - (1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.
 - (2) For personal property, the assessed value and estimated actual value are the same.
 - (3) See Table 9-a for real and personal property direct tax rates.
- Source: State of Maryland, Department of Assessments and Taxation.

Table Reference Source: Montgomery County FY 2018 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:											
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	.9947
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	.9858
2017	.7734	.1140	.0520	.0010	.9404	.0230	.0030	.0170	.0548	.0845	1.0249
2018	.7484	.1089	.0580	.0010	.9163	.0240	.0000	.0172	.0554	.0833	.9996
Personal Property:											
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
2017	1.9335	.2850	.1300	.0025	2.3510	.0575	.0075	.0425	.1370	.1959	2.5469
2018	1.8710	.2723	.1450	.0025	2.2908	.0600	.0000	.0430	.1385	.1963	2.4871

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 2018 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:												
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
2017	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0410	.1530	.1150
2018	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0740	.1610	.1125
Personal Property:												
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
2017	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2018	.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, (FY 2012), was the first year that the property tax on commercial properties went into effect.

Table Reference Source: Montgomery County FY 2018 Table 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:								
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
2017	.2620	.2920	.5675	.0514	.2000	.0100	.2100	.1400
2018	.2620	.2920	.5348	.0514	.1500	.0100	.2100	.1400
Personal Property:								
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
2017	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2018	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
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
2017	.1360	.0900	.1756	.1000	.2700
2018	.1360	.0900	.1756	.1000	.2550
Personal Property:					
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
2017	.7000	.3000	.6000	1.0000	.7000
2018	.7000	.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 FY2018 Table 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:										
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
2017	.0400	.0200	.0000	.0220	.0807	.0480	.0400	.0472	.0520	.0400
2018	.0400	.0200	.0000	.0200	.0819	.0480	.0400	.0472	.0450	.0400
Personal Property:										
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
2017	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2018	.1000	.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 2018 Table 9-d

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO

For the Fiscal Year Ended June 30, 2018				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 954,650,036	\$ 30,503,636	\$ 924,146,400	0.51 %
JBG Smith	660,400,167	660,400,167	-	0.35
Federal Realty Investments Trust	610,256,503	606,230,033	4,026,470	0.32
Verizon Inc.	457,599,237	35,426,967	422,172,270	0.24
Montgomery Mall LLC	412,404,677	410,286,167	2,118,510	0.22
Wash Metro Area Transit Auth	398,157,300	398,157,300	-	0.21
Fishers Lane LLC	372,966,070	372,932,700	33,370	0.20
Street Retail Inc.	347,576,968	347,576,968	-	0.18
Chevy Chase Land Co	321,457,439	320,758,899	698,540	0.17
Wheaton Plaza Reg Shopping Center	321,116,206	320,055,166	1,061,040	0.17
Total	\$ 4,856,584,603	\$ 3,502,328,003	\$ 1,354,256,600	2.57 %
Total Assessable Base	\$ 188,182,435,927			100.00 %

For the Fiscal Year Ended June 30, 2009				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 690,226,160	\$ 7,717,700	\$ 682,508,460	0.43 %
Verizon - Maryland	680,681,930	33,066,700	647,615,230	0.42
Montgomery Mall LLC	396,142,869	395,637,599	505,270	0.24
Washington Gas Light Co.	230,268,250	-	230,268,250	0.14
7501 Wisconsin Avenue LLC	226,841,666	226,841,666	-	0.14
Camalier, Anne D et al, Trustee	220,531,312	220,531,312	-	0.14
Federal Realty Investment Trust	213,390,806	211,854,546	1,536,260	0.13
Democracy Associates	207,114,900	207,114,900	-	0.13
Chevy Chase Land Co	201,846,132	201,846,132	-	0.12
Wheaton Plaza Regional Shopping Center	188,065,412	187,096,732	968,680	0.12
Total	\$ 3,255,109,437	\$ 1,691,707,287	\$ 1,563,402,150	2.01 %
Total Assessable Base	\$ 162,053,662,492			100.00 %

Table Reference Source: Montgomery County FY 2018 Table 10

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

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations				
2009	\$ 1,496,561,371	\$ 100,000,000	\$ -	\$ 1,596,561,371	0.95 %	\$ 1,665	
2010	1,437,839,285	100,000,000	232,000,000	1,769,839,285	0.99	1,813	
2011	1,517,280,000	100,000,000	338,320,000	1,955,600,000	1.01	1,969	
2012	1,658,970,000	100,000,000	338,320,000	2,097,290,000	1.18	2,084	
2013	1,930,155,391	100,000,000	339,827,520	2,369,982,911	1.36	2,325	
2014	2,085,028,317	100,000,000	339,671,879	2,524,700,196	1.42	2,450	
2015	2,465,315,677	100,000,000	339,516,238	2,904,831,915	1.61	2,793	
2016	2,582,259,186	100,000,000	323,901,913	3,006,161,099	1.67	2,870	
2017	2,722,235,195	90,000,000	308,297,064	3,120,532,259	1.61	2,958	
2018	2,947,055,677	170,000,000	292,692,211	3,409,747,888	1.71	3,226	

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 2018 table 8 for estimated actual value of taxable property data.
- (3) See Montgomery County FY 2018 table 23 for population data used in calculating the Per Capita.

Table Reference Source: Montgomery County FY 2018 (Table 18).

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

	2009	2010	2011	2012	2013
Assessed Value					
Real property (1,3)	\$ 158,133,491,473	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848
Personal property (2)	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750
Total Assessed Value	<u>\$ 162,053,662,493</u>	<u>\$ 171,220,840,149</u>	<u>171,646,984,481</u>	<u>165,916,095,468</u>	<u>161,877,309,598</u>
Legal Debt Margin					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851
For personal property at 15%	588,025,653	618,599,492	578,428,793	557,841,857	540,671,813
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,076,035,141</u>	<u>10,644,410,104</u>	<u>10,645,876,345</u>	<u>10,289,670,842</u>	<u>10,037,041,664</u>
Debt Applicable to Limit:					
General obligation bonds	1,496,561,371	1,437,839,285	1,517,280,000	1,658,970,000	1,930,155,391
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation		232,000,000	338,320,000	338,320,000	339,827,520
Bond anticipation notes	300,000,000	425,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>	<u>2,597,290,000</u>	<u>2,869,982,911</u>
Legal Debt Margin	<u>\$ 8,179,473,770</u>	<u>\$ 8,449,570,819</u>	<u>\$ 8,190,276,345</u>	<u>\$ 7,692,380,842</u>	<u>\$ 7,167,058,753</u>
Legal Debt Margin as a Percentage of Debt Limit	81%	79%	77%	75%	71%

	2014	2015	2016	2017	2018
Assessed Value					
Real property (1,3)	\$ 159,891,865,334	\$ 163,656,758,206	\$ 170,176,446,052	\$ 177,495,353,018	\$ 183,993,870,661
Personal property (2)	3,709,327,508	3,655,133,210	3,884,349,017	4,051,372,468	4,188,565,266
Total Assessed Value	<u>\$ 163,601,192,842</u>	<u>\$ 167,311,891,416</u>	<u>\$ 174,060,795,069</u>	<u>\$ 181,546,725,486</u>	<u>\$ 188,182,435,927</u>
Legal Debt Margin					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763	\$ 10,649,721,181	\$ 11,039,632,240
For personal property at 15%	556,399,126	548,269,982	582,652,353	607,705,870	628,284,790
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,149,911,046</u>	<u>10,367,675,474</u>	<u>10,793,239,116</u>	<u>11,257,427,051</u>	<u>11,667,917,030</u>
Debt Applicable to Limit:					
General obligation bonds	2,085,028,317	2,465,315,677	2,582,259,186	2,722,471,690	2,947,055,677
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	90,000,000	170,000,000
Taxable BABs General Obligation	339,671,879	339,516,238	323,901,913	308,297,064	292,692,211
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Long-term notes payable	-	-	-	-	-
Total Debt Applicable to Limit	<u>3,024,700,196</u>	<u>3,404,831,915</u>	<u>3,506,161,099</u>	<u>3,620,768,754</u>	<u>3,909,747,888</u>
Legal Debt Margin	<u>\$ 7,125,210,850</u>	<u>\$ 6,962,843,559</u>	<u>\$ 7,287,078,017</u>	<u>\$ 7,636,658,297</u>	<u>\$ 7,758,169,142</u>
Legal Debt Margin as a Percentage of Debt Limit	70%	67%	68%	68%	66%

NOTES:

- (1) See (1) on Montgomery County FY 2018 CAFR Table 8.
- (2) See (2) on Montgomery County FY 2018 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. 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 2018 Table 20

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 222,200	100.00 %	\$ 222,200
Poolesville - bonds	2,423,479	100.00	2,423,479
Rockville:			
Bonds	32,376,755	100.00	32,376,755
Certificates or notes	52,000	100.00	52,000
Somerset - bonds	1,240,000	100.00	1,240,000
Takoma Park:			
Bonds	10,239,000	100.00	10,239,000
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	59,680,797	100.00	59,680,797
MCC - capital leases	85,388,516	100.00	85,388,516
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	136,625,000	36.92	50,445,000
Advance land acquisition bonds	885,000	100.00	885,000
Development Districts (2):			
Kingsview Village Center - bonds	728,233	100.00	728,233
West Germantown - bonds	10,020,000	100.00	<u>10,020,000</u>
Total Overlapping Debt			253,850,980
Montgomery County direct debt (5)			<u>4,284,990,518</u>
Total Direct and Overlapping Debt			<u>\$ 4,538,841,498</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.
- (6) The Board has no authority to issue bonds

Table Reference Source: Montgomery County FY 2018 Table 19

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2018*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2018
General bonded indebtedness:					
Consolidated Public Improvement Refunding	5.00	6/1/2005	2011-21	\$ 62,464,240	\$ -
Consolidated Public Improvement	Variable	6/7/2006	2017-26	64,000,000	-
Consolidated Public Improvement	5.00	5/1/2007	2008-27	149,600,000	-
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	3/15/2008	2009-29	127,000,000	5,410,200
Consolidated Public Improvement-General Obligation Refunding Bonds	2.00 - 5.00	11/3/2009	2011-20	78,095,307	28,659,008
Consolidated Public Improvement-General Obligation Bonds BAB's	3.75 - 5.50	11/3/2009	2015-29	130,000,000	104,002,800
Consolidated Public Improvement-General Obligation Bonds	2.00 - 5.00	7/26/2010	2011-22	80,500,000	20,125,002
Consolidated Public Improvement-General Obligation Bonds BAB's	4.75 - 5.40	7/26/2010	2023-30	18,600,000	18,600,000
Consolidated Public Improvement-General Obligation Bonds	2.00 - 5.00	8/11/2011	2012-31	118,500,000	11,850,000
Consolidated Public Improvement-General Obligation Refunding Bonds	2.00 - 5.00	8/11/2011	2012-22	106,469,440	60,141,760
Consolidated Public Improvement-General Obligation Bonds	2.50 - 5.00	10/24/2012	2013-32	150,000,000	60,000,000
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	11/26/2013	2014-34	83,300,000	58,310,000
Consolidated Public Improvement-General Obligation Refunding Bonds	5.00	11/26/2013	2023-24	8,794,995	8,794,995
Consolidated Public Improvement-General Obligation Bonds	4.00 - 5.00	11/19/2014	2015-35	200,575,000	150,431,250
Consolidated Public Improvement-General Obligation Refunding Bonds	5.00	11/19/2014	2016-28	146,015,100	132,589,100
Consolidated Public Improvement-General Obligation Refunding Bonds	5.00	3/26/2015	2018-21	30,371,880	30,371,880
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	11/18/2015	2016-35	95,789,000	86,210,100
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	12/13/2016	2017-36	95,092,945	90,338,298
General Obligation Bonds Series A	5.00	11/15/2017	2018-27	49,938,000	49,938,000
General Obligation Refunding Bonds Series B	5.00	11/15/2017	2018-26	50,092,800	44,569,600
General Obligation Refunding Bonds Series C	3.00 - 5.00	11/15/2017	2019-31	123,978,200	123,978,200
General Obligation Refunding Bonds Series D**	3.00 - 4.00	11/15/2017	2020-29	80,593,702	80,593,702
Consolidated Public Improvement Series E	Variable	12/19/2017	2028-37	49,938,000	49,938,000
Total				\$ <u>2,099,708,609</u>	\$ <u>1,214,851,895</u>

Notes:

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

** Refunding Bonds 2017 Series D interest is paid by refunding proceeds with escrow agent. No cash outflow from the County.

Source: Montgomery County, Maryland Debt Service Program, Direct Debt, Issues Through June 30, 2018

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 as of September (7)
2009	959,013	\$ 66,147,761	\$ 68,975	522,421	494,565	5.3 %	137,763
2010	976,321	69,149,438	70,827	532,549	502,710	5.6	140,500
2011	992,928	73,818,085	74,344	536,832	508,549	5.3	143,309
2012	1,006,218	76,994,315	76,519	540,427	512,438	5.2	146,497
2013	1,017,759	74,017,970	72,626	543,124	516,264	4.9	149,018
2014	1,027,780	75,745,140	73,698	545,005	521,063	4.4	151,289
2015	1,036,233	80,786,226	77,961	549,111	527,763	3.9	153,852
2016	1,043,863	84,518,332	80,967	548,401	529,491	3.4	159,242
2017	1,050,370	87,230,000	83,047	557,412	539,132	3.3	161,909
2018	1,056,920	90,840,000	85,948	562,343	542,965	3.4	161,936

NOTES:

- (1) Source: Data for 2009-2016 is from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2017 and 2018 are estimated by the Montgomery County Department of Finance from Round 9.0 Cooperative Estimates and pertain to population in households. Data for 2009-2016 was published by BEA.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2009-2016 was published by BEA. Data for 2017 through 2018 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are published by BLS for 2009 - 2017. Data for 2018 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY 2017 to the average of the first six months of CY 2018.
- (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 2009-2017 was published by BLS. Data for 2018 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY 2017 to the first six months of CY 2018.
- (6) The unemployment rates for 2009 through 2017 were published by the Bureau of Labor Statistics (BLS), U.S. Department of Labor. Unemployment rate for 2018 is estimated by Montgomery County Department of Finance based on the estimate of the civilian labor force and the estimate of resident employment.
- (7) Source: County Executive Recommended FY 2019 Operating Budget, Office of Management and Budget, Montgomery County. Since the school year begins in September, data is represented as enrollment as of September of the calendar year.

Table Reference Source: Montgomery County FY 2018 Table 23

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

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Rank	Employees(1)	Percentage of Total County Employment(2,3)	Rank	Employees(1)	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	1	>30,000	6.12 %	1	>30,000	6.27 %
Montgomery County Public Schools	2	20,000 - 25,000	4.59	2	20,000 - 25,000	4.70
Montgomery County Government	3	10,000 - 15,000	2.55	5	5,000 - 10,000	1.57
U.S. Department of Commerce	4	5,000 - 10,000	1.53	4	5,000 - 10,000	1.57
U.S. Department of Defense	5	2,500 - 5,000	0.76	3	10,000 - 15,000	2.61
Holy Cross Hospital of Silver Spring	6	2,500 - 5,000	0.76	10	2,500 - 5,000	0.78
Adventist Healthcare	7	2,500 - 5,000	0.76	7	5,000 - 10,000	1.57
Government Employees Insurance Co.	8	2,500 - 5,000	0.76		*	-
Marriott International Admin Srvs, Inc.	9	2,500 - 5,000	0.76	8	2,500 - 5,000	0.78
U.S. Nuclear Regulatory Commission	10	1,500 - 2,500	0.41		*	-
Lockheed Martin Corporation	*	*	-	6	5,000 - 10,000	1.57
Giant Food Corporation	*	*	-	9	2,500 - 5,000	0.78
Total			<u>19.00 %</u>			<u>22.20 %</u>

NOTES:

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

Source: Department of Labor, Licensing and Regulation

Analysis and Information-Major Employer List- 4th quarter CY 2017 and CY 2009

(1) Information such as the actual number of employees is not available for disclosure.

(2) Percentages are based on the midpoint of the employment range and average total Montgomery County employment of FY 2018 according to Bureau of Labor Statistics, U.S. Department of Labor. Employee counts for federal and military facilities exclude contractors the extent possible.

(3) Total average payroll employment in FY 2018 was 490,389 and in FY 2009 was 478,400.

Table Reference Source: Montgomery County FY 2018 Table 22



Student: Aseya Ali, 1st Grade
School: Montgomery Knolls Elementary School

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

	2009	2010	2011	2012	2013
Governmental Activities:					
Instruction:					
Total enrollment ⁽¹⁾	139,276	141,777	144,064	146,497	148,779
Regular students ⁽¹⁾	130,371	140,065	142,342	144,571	146,930
ESOL students ⁽²⁾	16,685	17,664	17,900	18,650	19,200
Special education classroom students ⁽²⁾	8,534	9,107	9,067	9,533	11,614
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 16,543	\$ 16,782	\$ 16,590	\$ 16,476	\$ 16,511
Number of teaching stations ⁽³⁾	7,660	7,085	7,101	7,492	7,313
Average teacher salary (6)	\$ 75,517	\$ 76,499	\$ 73,638	\$ 72,356	\$ 75,463
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	13.5:1	14:1	14:1	14:1
Average SAT score ^{(1) *}	1,615	1,653	1,637	1,651	1,648
Seniors taking SAT ⁽¹⁾	78 %	71 %	71 %	71 %	69 %
Average ACT score		23	23	23	23
Seniors taking ACT		29.5 %	29.3 %	30 %	29.3 %
Building capacity used ^{(3) #}	99.5 %	98.3 %	99.5 %	99.5 %	102 %
Support services:					
Student transportation:					
Number of buses ⁽¹⁾	1,271	1,270	1,268	1,264	1,264
Students transported ⁽¹⁾	96,700	97,100	98,535	100,158	99,300
Operation of plant:					
School buildings ⁽¹⁾	199	200	200	200	202
Square footage ⁽³⁾	21.1 million	21.4 million	23.5 million	24.2 million	24.6 million
Number of rooms ⁽³⁾	7,458	7,652	7,737	7,898	7,950
Maintenance of plant:					
Work orders completed	59,393	60,322	64,754	61,529	60,305
Average building age (years) ^{(3) +}	22	23	23	22	22
Administration:					
Payments issued	65,060	66,412	64,504	65,035	64,880
Purchased orders issued	58,858	49,870	59,866	33,436	33,663
Business-Type Activities:					
Food Service:					
Meals served	13.1 million	12.9 million	13.7 million	14.6 million	14.6 million
Free & Reduced meals	7.5 million	8.1 million	8.9 million	9.6 million	9.9 million
Real Estate Management:					
Square footage under lease	168,949	162,389	167,416	169,432	169,768
Average annual rental months	11	11.1	11.42	11.31	11.28
Field Trip:					
Number of trips run	9,277	9,800	10,913	11,632	11,490
Trip miles	366,796	385,878	427,679	440,462	433,456
Entrepreneurial activities:					
Science kits sold	7,975	4,806	5,676	4,748	3,546

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.

Beginning with the Class of 2017, the SAT changed back to a two-part exam totalling 1,600 rather than a three-part exam totalling 2,400.

ACT is reported as a Mean Composite Score & tracking was added in 2010; students can take both the ACT and the SAT.

Capacity calculation for elementary schools changed from 254 students/classroom to 23, beginning with 2005.

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

Sources for 2018:

(1) The Superintendent's FY 2019 Operating Budget Summary

Total schools are 205 with breakdown: 133 elementary schools; 40 middle schools (includes the opening of Silver Creek MS); 25 high schools; 1 Career & Technology HS (Edison).

5 Special Education Centers (Stephen Knolls, Longview, RICA, Rock Terrace and Carl Sandburg);

1 Alternative Education Center (Blair Ewing Center)

(2) 2017-2018 Schools at a Glance

(3) FY 2019 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) FY 2018 Fact Sheet prepared by Employee and Retiree Service Center

	2014	2015	2016	2017	2018
	151,289	153,852	156,447	159,010	161,470
	149,390	152,092	154,288	157,047	159,447
	22,088	23,386	26,127	25,867	26,597
	16,339	16,462	17,053	17,861	18,084
\$	17,240.09	\$ 16,919	\$ 16,833	\$ 17,538	17,203
	7,584	7,595	8,307	8,307	7,987
\$	75,452	\$ 76,029	\$ 75,717	\$ 79,604	82,809
	14:1	14:1	14:1	14:1	14:1
	1,650	1,629	1,631	1,126 *	1,167
	69 %	68 %	65 %	62 %	66
	24	24	25	25	25
	29.6 %	34 %	35.6 %	39.6 %	34.4
	99 %	101 %	101 %	101 %	101
	1,270	1,273	1,287	1,290	1,323
	101,949	101,949	104,000	101,225	102,067
	202	203	204	204	205
24.9 million	24.9 million	23.9 million	23.7 million	24.3 million	
	8,157	8,169	8,184	8,320	8,540
	59,862	63,980	67,083	67,740	69,918
	23	22	24	25	25
	64,506	61,911	57,476	56,441	54,787
	48,375	37,763	37,929	36,153	34,543
	15.1 million	17.2 million	17.6 million	17.7 million	17.4 million
	10.3 million	11.9 million	12 million	11.7 million	11.3 million
	185375	179686	207177	173797	192500
	11.06	11.7	11.1	11.6	11.6
	11,509	11,187	12,264	13,266	13,295
	421,296	436,954	478,034	503,020	522,322
	1,854	2,293	3,570	2,334	2,056

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,589	9,690	9,453	9,467
Other staff	1,371	1,374	1,351	1,208
Total Regular instruction	<u>10,960</u>	<u>11,064</u>	<u>10,804</u>	<u>10,675</u>
Special education:				
Teachers	2,047	2,094	2,117	2,114
Other staff	1,424	1,514	1,545	1,547
Total Special education	<u>3,471</u>	<u>3,608</u>	<u>3,662</u>	<u>3,661</u>
School administration	1,677	1,662	1,683	1,669
Student personnel services	118	111	110	109
Total Instruction	<u>16,226</u>	<u>16,445</u>	<u>16,259</u>	<u>16,114</u>
Support services:				
Student transportation	1,745	1,742	1,742	1,733
Operation of plant	1,403	1,398	1,407	1,430
Maintenance of plant	396	389	380	380
Administration	369	358	339	327
Total Support services	<u>3,913</u>	<u>3,887</u>	<u>3,868</u>	<u>3,870</u>
Special Revenue:				
Instructional TV	14	14	14	13
Business-Type Activities:				
Food Service	605	584	584	584
Adult Education				
Real Estate Management	7	7	7	7
Field Trips	4	5	5	5
Entrepreneurial activities	8	10	9	9
Position Grand total	<u>20,777</u>	<u>20,952</u>	<u>20,746</u>	<u>20,602</u>

Source:
 The Superintendent's FY 2019 Operating Budget

Fiscal Year					
2013	2014	2015	2016	2017	2018
9,617	9,887	10,119	10,029	10,572	10,611
1,211	1,205	1,085	1,022	1,141	1,056
<u>10,828</u>	<u>11,092</u>	<u>11,204</u>	<u>11,051</u>	<u>11,713</u>	<u>11,667</u>
2,141	2,201	2,241	2,272	2,299	2,355
1,556	1,591	1,626	1,659	1,682	1,699
<u>3,697</u>	<u>3,792</u>	<u>3,867</u>	<u>3,931</u>	<u>3,981</u>	<u>4,054</u>
1,673	1,675	1,678	1,655	1,678	1,689
107	108	112	112	112	118
<u>16,305</u>	<u>16,667</u>	<u>16,861</u>	<u>16,749</u>	<u>17,484</u>	<u>17,528</u>
1,733	1,733	1,733	1,721	1,741	1,737
1,431	1,442	1,594	1,594	1,592	1,617
380	375	351	356	354	369
328	333	347	341	336	366
<u>3,872</u>	<u>3,883</u>	<u>4,025</u>	<u>4,012</u>	<u>4,023</u>	<u>4,089</u>
13	13	14	14	14	14
583	583	585	585	588	588
7	7	7	9	12	12
5	5	5	5	5	5
13	13	13	14	12	12
<u>20,798</u>	<u>21,171</u>	<u>21,510</u>	<u>21,388</u>	<u>22,138</u>	<u>22,248</u>



Student: Albert Solis, 4th Grade
School: Brookhaven Elementary School
Art Teacher: Mrs. Wilburn



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