



Comprehensive Annual

FY 2019

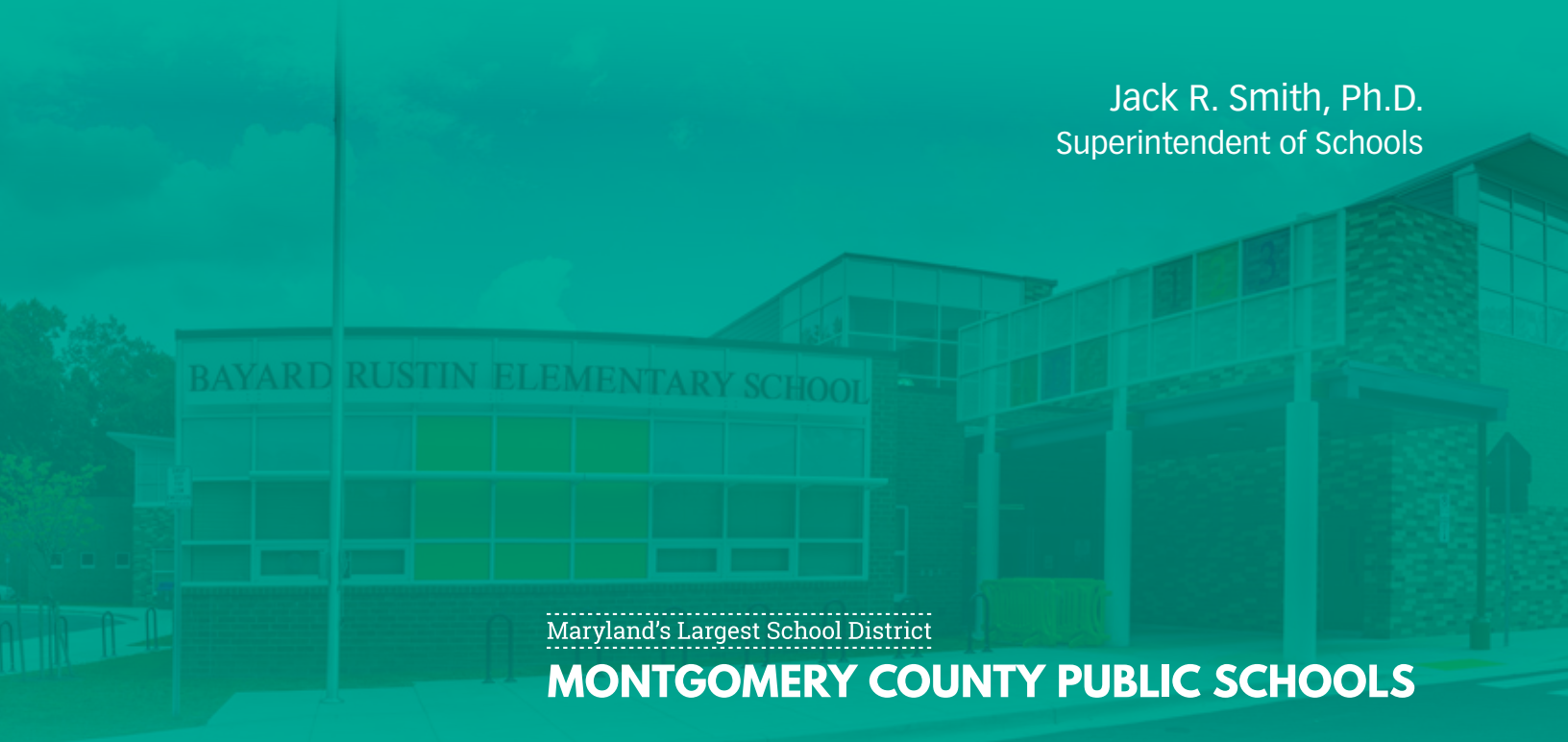
# Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

ROCKVILLE, MARYLAND

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



BAYARD RUSTIN ELEMENTARY SCHOOL

Maryland's Largest School District

**MONTGOMERY COUNTY PUBLIC SCHOOLS**

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

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

Prepared by: Office of the Chief Financial Officer

Nicola Diamond, *Chief Financial Officer*

Robert Reilly, CPA, *Director*

Cover Photograph: *Bayard Rustin Elementary School*

850 Hungerford Drive, Room 167

Rockville, Maryland 20850



Student: Ty Friedman, 5<sup>th</sup> grade  
School: Maryvale Elementary School

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2019

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Student: Ashley Ngimbi-Esper, 5<sup>th</sup> grade  
School: Maryvale Elementary School



# INTRODUCTORY SECTION

Board of Education of Montgomery County  
June 30, 2019





Student: Ava Brown, 5<sup>th</sup> grade  
School: Maryvale Elementary School



September 27, 2019

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, 2019.

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 basic 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 is 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**—According to Montgomery County's Office of Finance, Montgomery County's economy experienced a mixed economic performance during FY 2019. The reasons stated for a mixed performance include an increase in residential employment, a decrease in the unemployment rate, a decrease in existing home sales, and an increase in median prices for an existing home. Further, residential construction experienced a decrease in single-family homes but an increase in multi-family units. In addition, construction in the number of non-residential projects decreased but the value of added non-residential projects increased.

Based on data provided by the Maryland Department of Labor, the Bureau of Labor Statistics, the county's resident employment was 539,000 in FY 2019 compared to 536,000 during the previous fiscal year, an increase of about 3,000 or 0.6 percent. Furthermore, the county's unemployment rate in FY 2019 was 3.1 percent compared to 3.3 percent in FY 2018. Throughout FY 2019, the county's unemployment rate was one of the lowest in the State of Maryland.

Construction of single-family residential units decreased during the second quarter of FY 2019 compared to FY 2018. This construction declined by 5.0 percent but construction of multi-family homes increased by 15.9 percent. Altogether, total construction of all residential units increased by 13.6 percent in the second quarter of FY 2019 compared to FY 2018. The total value of residential units added in FY 2019 was \$1.025 billion, which was 25.5 percent above FY 2018. Home sales decreased by 7.1 percent from one year to the next, but median prices of homes sold increased by 2.9 percent.

The number of non-residential construction projects decreased by 4.2 percent in FY 2019 but the total added value increased from \$1.138 billion to \$1.536 billion from FY 2018 to FY 2019, an increase of 35 percent.

Finally, using sales tax receipts as a measure of retail sales activity in the county, retail sales increased by 1.8 percent in FY 2019.

**Long-term financial planning**—On June 25, 2019, the Montgomery County Council approved the tax-supported fiscal plan for FY 2020 through FY 2025. Based on projected property tax, income tax and other revenue sources, the fiscal plan lays out the amount of the tax-supported budget projected to be available for use by the four agencies in the county. The four agencies include MCPS, Montgomery College, the Maryland-National Capital Park and Planning Commission, and Montgomery County Government.

For comparative purposes, these four agencies combined received a 3.1 percent increase in their tax-supported budget in FY 2021. Based on revenue projections for the following five years, the approved fiscal plan projects that the percent change in the amount of funding available for allocation to the four agencies is as follows: FY 2021, 0.3 percent increase; FY 2022, 2.7 percent increase; FY 2023, 2.4 percent increase; FY 2024, 3.6 percent increase; and FY 2025, 3.3 percent increase.

**Negotiated agreements**—The bargaining units for 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 was 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 of the bargaining unit 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 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 (Item #4 for 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 of the bargaining unit 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.

In addition to the above two-year agreement, all unions amended the ratified the FY 2020 contracts as a result of the passage of Senate Bill (SB) 1030, Blueprint for Maryland's Future. Though the legislation only included salary incentives for MCEA, equitable salary increases for MCAAP, MCBOA, and SEIU were included in the FY 2020 budget. The amended agreements include the following:

Amended Agreement between MCAAP/MCBOA and MCPS for the School Year 2019 - 2020:

- Effective July 1, 2019, an adjustment to increase the MCAAP and MCBOA salary scale by \$948 will be made to all steps of the Salary Schedule.

Amended Agreement between MCEA and MCPS for School Year 2019 - 2020:

1. Effective July 1, 2019, an adjustment to increase the MCEA salary schedule include:
  - a) Steps 1 through 5 on all columns of the scale will increase by \$1,000;
  - b) Steps 6 through 25 on all columns of the scale will increase by \$500;
  - c) The 12-month salary scale will be computed from the 10-month scale in accordance with Article 19, Section A.4, of the Agreement for FY 2019 - 2020.

Amended Agreement between SEIU Local 500 and MCPS for School Year 2019-2020:

- Effective July 1, 2019, an adjustment to increase the SEIU salary scale by \$0.17 to each step and grade of the hourly rate schedules.

**Enrollment**—Public school enrollment has been particularly strong since 2008. Enrollment increases during this period are a product of a strong regional economy and housing market. 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. Student enrollment for the 2018–2019 school year totaled 162,680 students, an increase of 1,134 students from the 2017–2018 school year. Enrollment grew by 23,404 students from the 2008–2009 to the 2018–2019 school year, an average of 2,340 students each year. Total school system enrollment is projected to increase to 174,322 or by another 11,642 students by the 2024–2025 school year, which averages approximately 2,328 students per 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 2018–2019 school

year, 409 relocatable classrooms were in use to address overutilization at various schools throughout the system. To relieve overutilization of schools, the adopted Capital Improvements Program includes funding for the planning, design, and/or construction of 21 elementary school capacity projects, six middle school capacity projects, and six high school capacity projects. It also includes funding for six revitalization/expansion projects and many countywide systemic projects that address systemwide needs of our aging facilities. The average age of schools has been increasing and as of June 30, 2019 is 26 years. In the next six years, based on the adopted Capital Improvements Program, a total of 348 classrooms will be added through new schools, classroom additions, and expansion of schools. 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**—Four MCPS high schools made the top 500 *U.S. News & World Report 2019* list of Best High Schools. The Board had the top two 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 more than 40,000 Advanced Placement (AP) exams taken by the Board’s students in 2018. Students earned a college-ready score (3 or higher) on 71 percent of those exams. In 2018, the percentage of AP exams taken by the Board’s African American students (47.1 percent) that earned college-ready scores of three or higher is significantly higher than the percentages of 41.2 percent in Maryland and 29.9 percent in the nation. In 2018, the percentage of AP exams taken by Hispanic students that earned college-ready scores of three or higher (55.2 percent) was slightly greater than the percentage of exams for Hispanic students in Maryland (55.1 percent) and significantly higher than the nation (42.5 percent).

**Return on Investment**—More than \$393 million in scholarships were awarded to students in the Class of 2019.

**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, 2018, for the fifteenth 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. 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 38 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 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 2019 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 27, 2019

**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



Nicola Diamond  
Chief Financial Officer



Robert Reilly, CPA  
Director, Division of Financial Services

JRS:ND:rgr





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, 2018**

*Christopher P. Morrell*

Executive Director/CEO



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ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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**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, 2018.**

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

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Tom Wohlleber, CSR  
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

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Siobhán McMahon, CAE  
Chief Operating Officer

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

**MEMBERS OF THE BOARD OF EDUCATION**

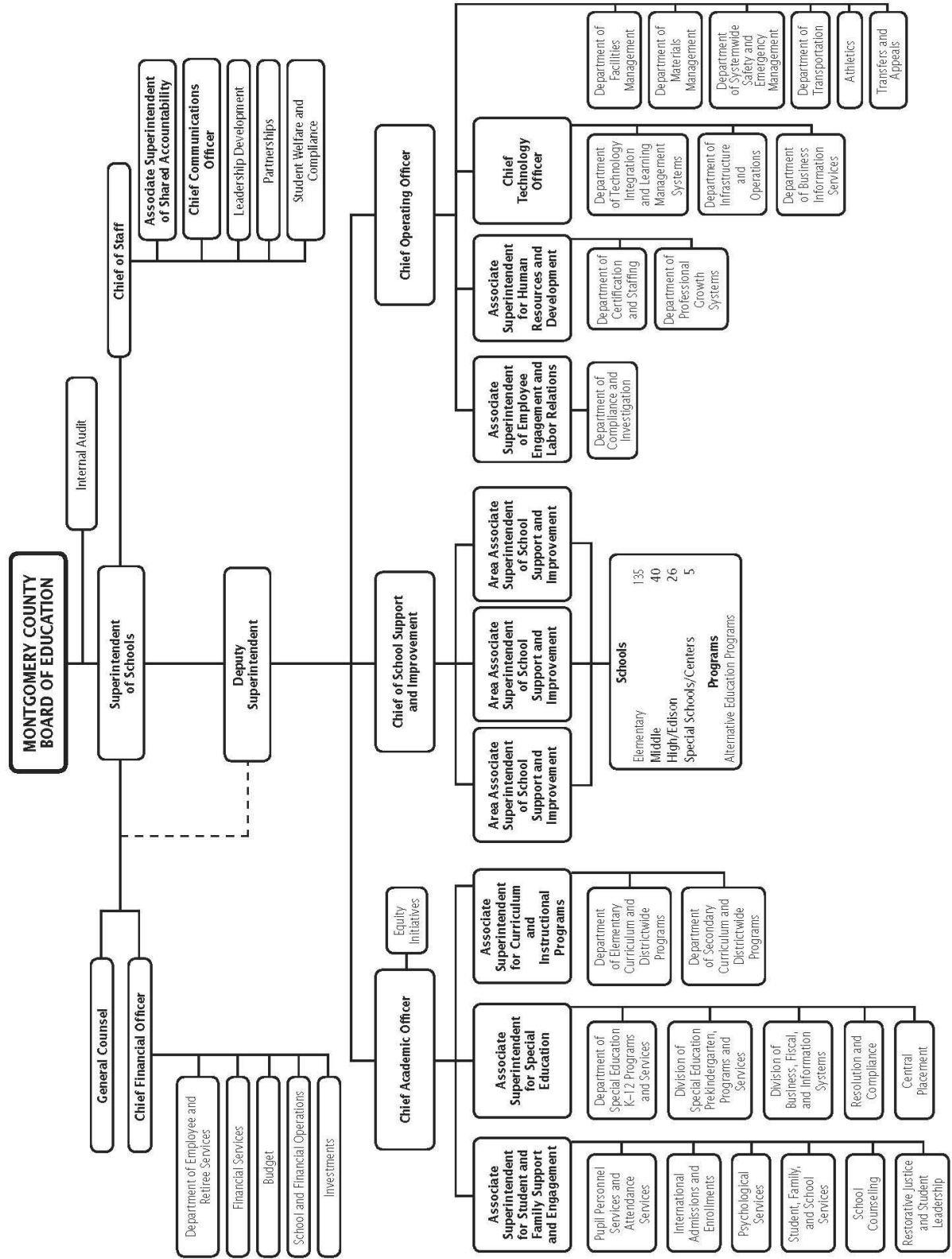
Shebra L. Evans, President  
Patricia B. O’Neill, Vice President  
Jeanette E. Dixon  
Dr. Judith R. Docca  
Karla Silvestre  
Rebecca K. Smondrowski  
Brenda Wolff  
Nathaniel Tinbite, Student Board Member

**EXECUTIVE STAFF**

Jack R. Smith, Ph.D  
Superintendent of Schools

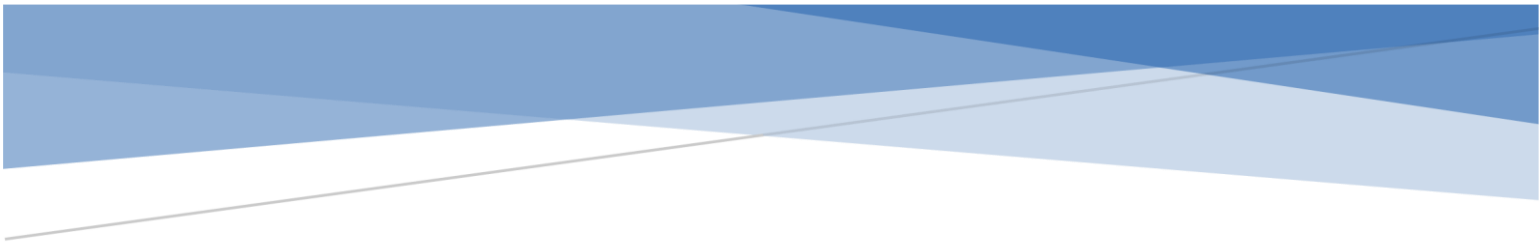
Monifa B. McKnight, Ed.D..... Deputy Superintendent  
Maria V. Navarro, Ed.D. .... Chief Academic Officer  
Andrew M. Zuckerman, Ed.D. ....Chief Operating Officer  
Joshua I. Civin.....General Counsel  
Henry R. Johnson, Jr., Ed.D. .... Chief of Staff  
Nicola Diamond.....Chief Financial Officer  
Peter Cevenini..... Chief Technology Officer  
Kimberly A. Statham, Ph.D.....Chief, Office of School Support and Improvement  
Cheryl L. Dyson ..... Area Associate Superintendent, Office of School Support and Improvement  
Diane D. Morris.....Area Associate Superintendent, Office of School Support and Improvement  
James P. Koutsos.....Area Associate Superintendent, Office of School Support and Improvement  
Sherwin Collette..... Associate Superintendent, Office of Employee Engagement and Labor Relations  
E. Lancellotti Dempsey..... Associate Superintendent, Office of Human Resources and Development  
Niki T. Hazel ..... Associate Superintendent, Office of Curriculum and Instructional Programs  
Ruschelle Reuben.....Associate Superintendent, Office of Student and Family Support and Engagement  
Kevin E. Lowndes .....Associate Superintendent, Office of Special Education  
Janet S. Wilson, Ph.D. ....Associate Superintendent, Office of Shared Accountability

# MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION—FY 2020





Student: Quezia De Lima, 2<sup>nd</sup> grade  
School: Rosemont Elementary School



# FINANCIAL SECTION

Board of Education of Montgomery County  
June 30, 2019



## 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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 17 through 30 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.



Board of Education  
of Montgomery County, Maryland

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, 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 results 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 cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 27, 2019

## 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, 2019. 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, 2019, by \$160.9 million, which represents its net position.
- The Board's net position increased during the year by \$81.9 million.
- 79 percent of capital asset additions were directed toward instructional facilities.
- The Board successfully generated \$27.6 million in Fiscal Year (FY) 2019 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 and the entrepreneurial fund which are considered to be major funds of the Board. Data for the other two 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.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 293.6	\$ 260.2	\$ 22.1	\$ 19.7	\$ 315.7	\$ 279.9
Capital assets	3,086.3	2,922.4	6.6	6.6	3,092.9	2,929.0
Total assets	3,379.9	3,182.6	28.7	26.3	3,408.6	3,208.9
Deferred outflows of resources	543.9	270.4			543.9	270.4
Total assets and deferred outflows	3,923.8	3,453.0	28.7	26.3	3,952.5	3,479.3
Long-term liabilities outstanding	3,086.4	2,860.3	6.0	2.8	3,092.4	2,863.1
Other liabilities	239.2	225.1	3.0	4.8	242.2	229.9
Total liabilities	3,325.6	3,085.4	9.0	7.6	3,334.6	3,093.0
Deferred inflows of resources	457.0	307.3			457.0	307.3
Total liabilities and deferred inflows	3,782.6	3,392.7	9.0	7.6	3,791.6	3,400.3
Net Position:						
Net investment in capital assets	3,047.4	2,884.8	6.5	6.6	3,053.9	2,891.4
Restricted for instructional programs	0.4	0.3			0.4	0.3
Unrestricted	(2,906.6)	(2,824.8)	13.2	12.1	(2,893.4)	(2,812.7)
Total net position	\$ 141.2	\$ 60.3	\$ 19.7	\$ 18.7	\$ 160.9	\$ 79.0

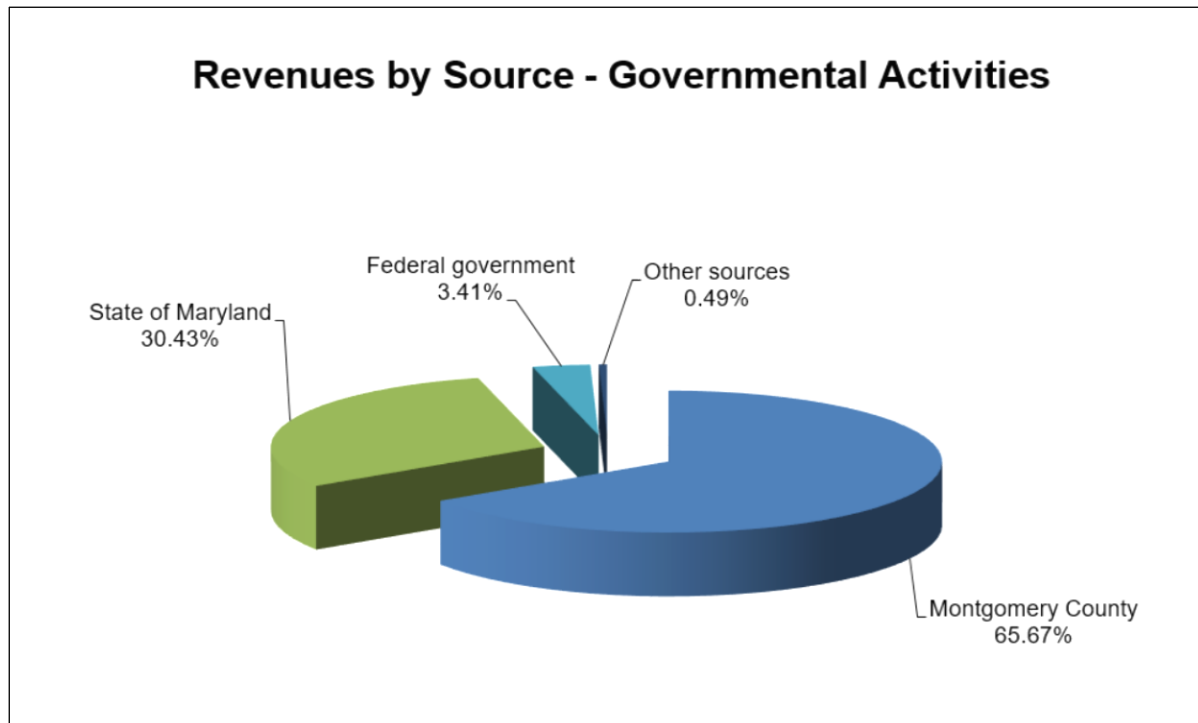
**Government-wide Financial Analysis**

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, increased \$81.9 million to \$160.9 million. The major portion of the increase came from governmental activities, which increased by \$80.9 million to \$141.2 million. The largest portion of net position reflects the Board’s investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by the Board to acquire those assets. Net investment in capital assets for governmental activities increased \$162.6 million to \$3,047.4 million. These assets are used by the Board in its instructional programs; consequently, these assets are not available for future spending.

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

The unrestricted net deficit increased \$81.8 million to a \$2,893.4 million deficit at June 30, 2019. The increase in unrestricted net deficit is primarily attributed to the effect of the increase in the net OPEB and pension liabilities. These increases were \$223.2 million, which was offset by the net associated deferrals of \$123.8 million, accounting for the largest portion of the total \$81.8 million increase.

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 meets its fiscal obligations and to fund its current operations.



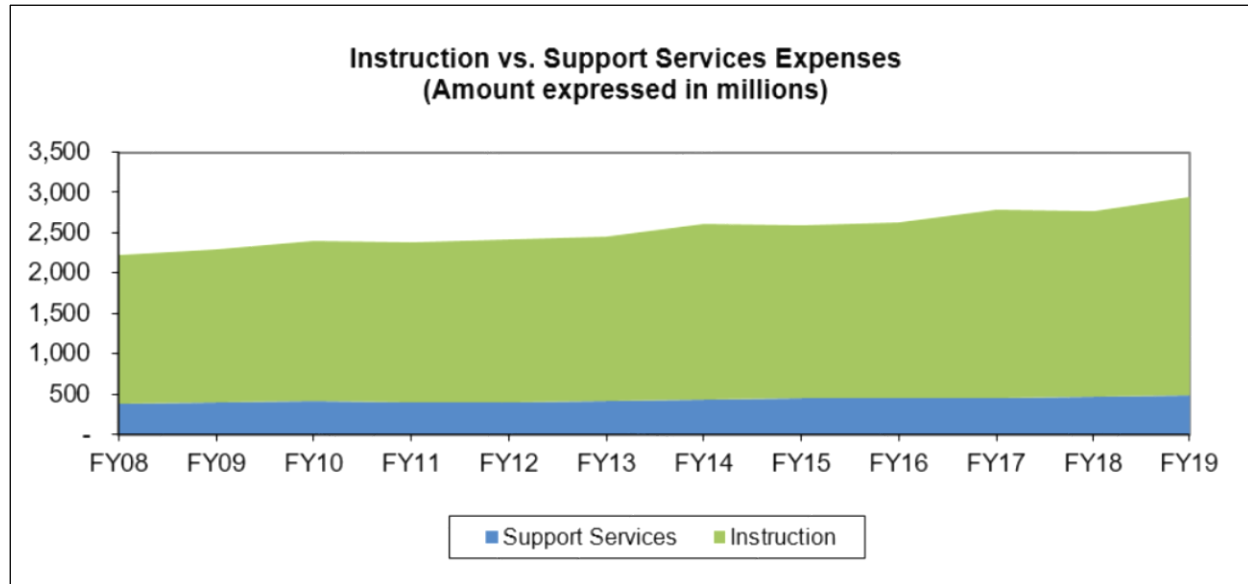
**Governmental activities.** Governmental activities unrestricted net deficit increased \$159.5 million to a deficit of \$3.0 billion at June 30, 2019. The increase in unrestricted net deficit arose primarily from the increases in both OPEB and net pension liabilities, as previously mentioned.

Total revenues for the Board's governmental activities increased \$76.6 million (2.6 percent). Intergovernmental revenues increased \$87.0 million (3.0 percent), and operating grants revenues increased \$2.4 million (2.6 percent). Intergovernmental revenues from Montgomery County increased \$50.6 million (2.6 percent). The increase is primarily due to an increase of \$15.2 million in general operating revenue and an increase of \$35.4 million in capital projects revenue in 2019. Intergovernmental revenue from the State of Maryland increased \$27.7 million (3.1 percent), related to an increase of \$33.3 million in unrestricted *Bridge to Excellence* formula-driven grants, and corresponding decrease of \$5.6 million in construction funds. Federal intergovernmental revenue increased \$3.8 million, 3.8 percent, largely due to increases in Medicare Part D subsidies. Other revenue decreased by \$5.5 million due to decreases in land contributions slightly offset by a \$1.2 million increase in interest income.

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

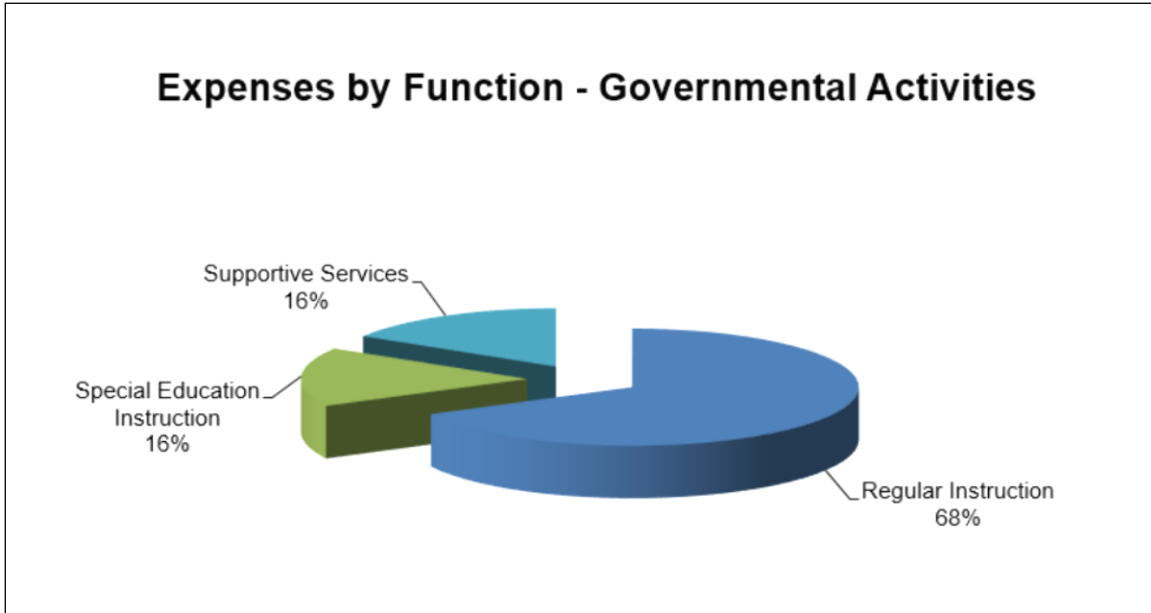
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3.4	\$ 3.4	\$ 36.3	\$ 32.0	\$ 39.7	\$ 35.4
Operating grants and contributions	86.5	84.1	43.6	44.1	130.1	128.2
Capital grants and contributions	62.9	70.2	0.9	1.5	63.8	71.7
General revenues:						
Intergovernmental	2,873.9	2,786.9			2,873.9	2,786.9
Other	9.2	14.7			9.2	14.7
Total revenues	3,035.9	2,959.3	80.8	77.6	3,116.7	3,036.9
Expenses:						
Regular instruction	1,762.6	1,616.0			1,762.6	1,616.0
Special education	481.5	472.5			481.5	472.5
School administration	213.5	212.5			213.5	212.5
Student personnel services	17.8	17.0			17.8	17.0
Health services						
Student transportation	144.3	140.2			144.3	140.2
Operation of plant	179.7	172.4			179.7	172.4
Maintenance of plant	79.2	74.6			79.2	74.6
Administration	71.8	68.1			71.8	68.1
Community services	3.2	3.2			3.2	3.2
Interest on capital leases	1.4	1.2			1.4	1.2
Food services			60.6	57.7	60.6	57.7
Real estate management			3.7	3.3	3.7	3.3
Field trips			2.3	2.2	2.3	2.2
Entrepreneurial activities			13.2	8.8	13.2	8.8
Total expenses	2,955.0	2,777.7	79.8	72.0	3,034.8	2,849.7
Increase (decrease) in net position	80.9	181.6	1.0	5.6	81.9	187.2
Net position - Beginning	60.3	(121.3)	18.7	13.1	79.0	(108.2)
Net position - Ending	\$ 141.2	\$ 60.3	\$ 19.7	\$ 18.7	\$ 160.9	\$ 79.0

Total expenses for the Board governmental activities increased \$177.3 million (6.1 percent) to \$2,955.0 million. In 2019, instructional programs expenses accounted for 84 percent, (83 percent in 2018), and support services accounted for 16 percent (17 percent in 2018) of total governmental activities expenses. The proportion of instructional expenses to total expenses continues to rise as internal savings and cost reduction programs remain the primary source for funding instructional program initiatives.

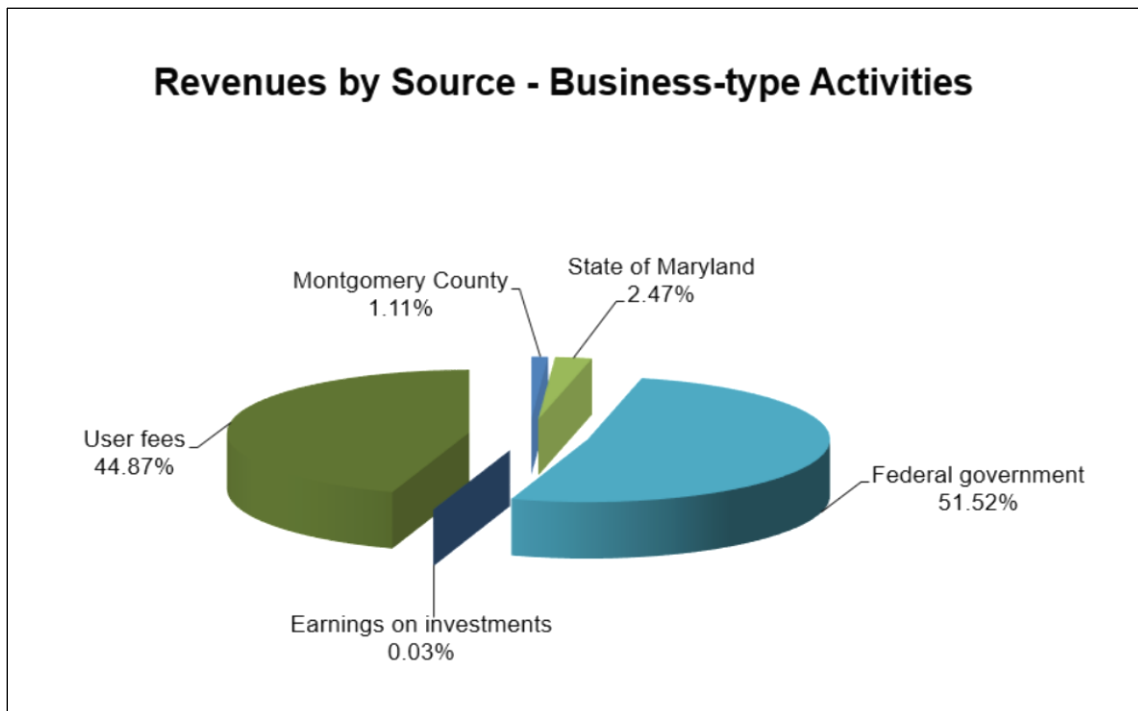


Employee healthcare benefits contributions decreased \$1.3 million (0.1 percent) due to the fact that there were lower than anticipated expenses. OPEB contributions decreased \$27.9 million due to the initiation of a mid-year savings plan by the county, which funds the OPEB Trust on behalf of the Board. 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 2019. Board contributions to the pension plan increased by 8.9 million (11 percent) in the Board’s effort to increase the funded ratio.

General fund salaries increased \$38.6 million (2.4 percent) primarily due to steps and longevity increases in FY 2019. Based on agreements with the three bargaining units, employees received a general wage increase of one percent, effective July 1, 2018, which was reflected in the FY 2019 budget. In addition, part of the general fund salary increase was due to the addition of a net 211 positions in the approved FY 2019 budget to accommodate growth and strategic priorities.

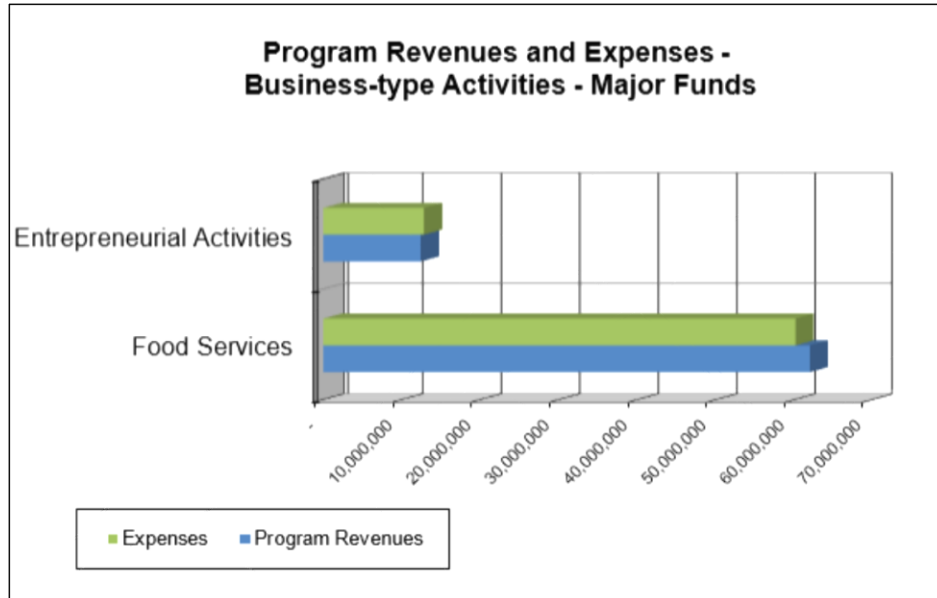


**Business-type activities.** Business-type activities increased the Board's net position by \$1.0 million. Total revenues increased \$3.2 million (4.1 percent) to \$80.8 million. Charges for services increased \$4.3 million (13.4 percent) due to an increase of \$0.4 million on sale of food and \$3.9 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 slight decrease due to reduced participation in some of the Federal and Maryland State Department of Education (MSDE) programs, which reduced the combined Federal and State funding by 0.6 million (1.4 percent).

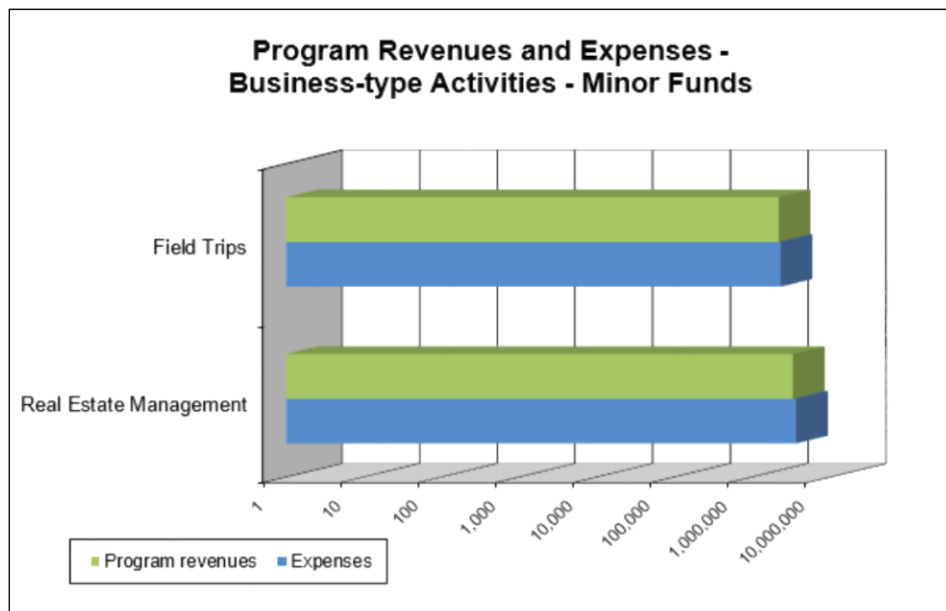




Total expenses increased \$7.8 million (11 percent). Food Services operating expenses increased \$2.9 million (5.0 percent), entrepreneurial activities expenses increased \$4.4 million (51 percent), and Real Estate Management and Field Trips had a combined increase of 0.3 million. In the Food Services Fund, both food purchases and salaries increased by about \$1.0 million each, the latter due to COLA and step increases.



As for the entrepreneurial fund, the increase was related to the contracting cost increase for installing bus cameras. However, as of August 2019, the entire fleet of MCPS buses are now equipped with cameras. The entrepreneurial, real estate, and field trip enterprise funds all experienced operating losses in FY 2019. The loss in the entrepreneurial fund has resulted in a net negative position as of June 30, 2019. However, the circumstances that caused the decrease in net position were temporary in nature, and it is expected that the net position will turn around in FY 2020.



## 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 a combined ending fund balance of \$55.7 million, an increase of \$15.3 million from the prior year. Fund balance restricted for the instructional TV program is \$0.4 million, a slight increase from the prior year.

The general fund is the principal operating fund of the Board. At June 30, 2019, fund balance was \$55.3 million. Nonspendable fund balance was \$5.9 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 \$34.4 million to \$49.1 million. The reason for the large increase was due to the reporting of subsequent year's use of fund balance starting in FY 2019. In addition, there was a change in the treatment of compensated absences, the liability for which will only be shown on the government-wide statements going forward. Unassigned fund balance decreased by \$16.8 million to \$0.3 million at June 30, 2019. This is due to the treatment of subsequent year's use of fund balance as an assignment of fund balance. 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 on page 26 of this report.

**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 2019 was \$2,574.7 million. The increase of \$46.9 million from the original budget was a result of \$11.1 million in supplemental grant funding, \$4 million in a request to use prior year fund balance for planned instructional expenses, \$17.0 million in unspent grant expenditures carried forward from FY 2018 and \$14.8 million in prior year encumbrances.

Actual budgetary fund balance decreased by \$1.4 million to \$30.4 million. The decrease in fund balance resulted primarily from the utilization of the prior year fund balance.

Actual revenues were \$25.0 million under budget for the year. This was the result of the \$26.2 million under budget on federal, Maryland and local grants and a corresponding increase of \$1.2 million in interest revenue over budget. The restricted revenue shortfall was comprised of \$1.3 million estimated restricted grant activity that did not materialize, and \$24.9 million in unrealized revenue for grants that carried forward into FY 2020.

Actual expenditures were \$52.6 million under budget. Restricted expenditures were \$26.2 million less than the budget, consisted of \$24.9 million in unspent funds for grants that carry forward into FY 2020, and \$1.3 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$26.4 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, 2019, the Board's investment in capital assets for its governmental and business-type activities amounted to \$3,086.3 million, net of accumulated depreciation. This amount represented a net increase of \$163.9 million or 5.0 percent from last year. Construction in progress accounted for most of the increase.

**Board of Education of Montgomery County Capital Assets**  
(Net of depreciation)  
(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 105.0	\$ 101.1	\$ -	\$ -	\$ 105.0	\$ 101.1
Buildings	2,311.9	2,312.1			2,311.9	2,312.1
Improvements other than buildings	338.2	339.8			338.2	339.8
Vehicles and equipment	84.3	79.7	6.6	6.6	90.9	86.3
Construction	246.8	89.7			246.8	89.7
<b>Total</b>	<b>\$ 3,086.3</b>	<b>\$ 2,922.4</b>	<b>\$ 6.6</b>	<b>\$ 6.6</b>	<b>\$ 3,092.8</b>	<b>\$ 2,929.0</b>

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2019, the Board added 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 added 31 classrooms with the opening of Bayard Rustin Elementary School.

In FY 2020, the Board will add 51 classrooms associated with the construction of building addition projects at Ashburton Elementary School (4) and S. Christa McAuliffe Elementary School (10). The Board will add 37 classrooms with the opening of Snowden Farm Elementary School.

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

**Long-term debt.** At June 30, 2019, the Board had \$64.1 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 \$33.6 million during FY 2019. Principal payments on existing capital leases were \$29.1 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 several additional initiatives that significantly impact the Board.

**Other Postemployment Benefits (OPEB).** 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 expenses against this account as of July 1, 2015.

Montgomery County contributed \$55.2 million and \$27.2 million respectively, to the CRHBT in FY 2018 and FY 2019 on behalf of the Board. In FY 2019, the Board had \$55.3 million in total retiree pay-as-you-go funding, with \$28.1 million in tax supported funding, and \$27.2 million in assets from the county's Consolidated OPEB Trust. In FY 2020, the county budget authorized \$78.5 million in total MCPS retiree pay-as-you-go funding through \$51.3 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. Until FY 2017, the county had been funding the Board's OPEB actuarially determined contribution. However, in FY 2018 and FY 2019 the contribution was decreased due to a self-imposed savings plan. The FY 2020 county resolution of \$78.5 million is reverting back to fully funding the actuarially determined contribution.

***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 into law by President Barrack Obama. This reauthorization of the ESEA, formerly known as the *NCLB Act*, 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.

***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 2019, the Montgomery County Board of Education received an increase of \$28.0 million (4.1 percent) in state aid compared to FY 2018. 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 2018.

**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.

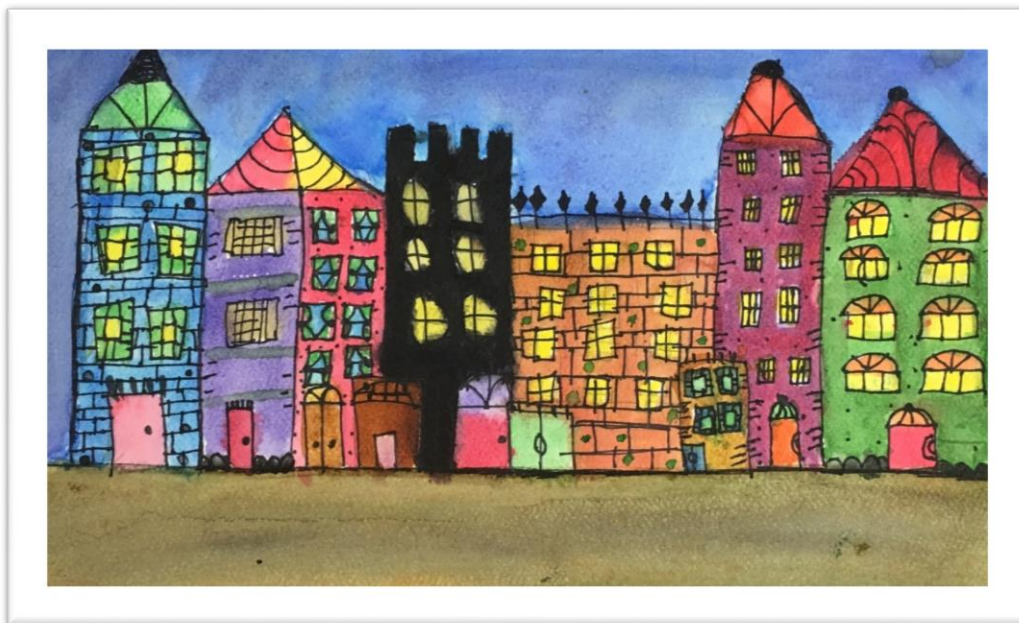
***The Blueprint for Maryland's Future.*** The Maryland General Assembly passed and Governor Hogan allowed to go into law on May 15, 2019, *The Blueprint for Maryland's Future* to transform the state's early childhood, primary, and secondary education systems to the levels of high-performing systems around the world. This bill provides MCPS with an increased source of state aid beginning in FY 2020. This includes \$9,132,868 for special education support, \$1,990,664 for funding for concentration of poverty at schools with at least 80 percent of its students receiving Free and Reduced-Price Meals System services, \$2,735,361 for transitional supplemental instruction for struggling learners using evidenced-based programs and strategies, \$83,333 for the cost of a mental health coordinator, \$8,109,168 for a grant to increase teacher salaries, and \$2,373,070 to expand access to high-quality, full-day pre-kindergarten programs. Within this \$24,424,464 of funding for FY 2020, \$10,468,942 will be used to fund the existing budget and \$13,955,522 will be added to the budget based on the provisions of the legislation.

**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. Most recently, in FY 2019, MCPS received \$8.7 million over MOE. This increased the cost per pupil to \$10,878.

**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.



Student Name: Haley Mejia, 5<sup>th</sup> grade  
School: S. Christa McAuliffe Elementary School





# **BASIC FINANCIAL STATEMENTS**

Board of Education of Montgomery County  
June 30, 2019

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Educational Foundation
<b>Assets</b>				
Equity in pooled cash and investments	\$ 76,535,371	\$ 604,172	\$ 77,139,543	\$ -
Cash and cash equivalents		11,419,045	11,419,045	110,292
Investments - cash equivalents	81,140,844		81,140,844	6,304,528
Accounts receivable:				
Montgomery County	53,716,309	10,933,917	64,650,226	
State of Maryland	14,095,203	123,411	14,218,614	
Federal government	9,700,363	1,943,213	11,643,576	
Other	46,013,189	808,308	46,821,497	
Due from component unit	3,794		3,794	
Internal balances	6,410,993	(6,410,993)		
Inventories	5,550,793	2,710,448	8,261,241	
Prepays	380,639		380,639	
Due from employees	83,362		83,362	
Capital assets (not being depreciated):				
Land	104,974,960		104,974,960	
Construction in progress	246,783,516		246,783,516	
Capital assets (net of accumulated depreciation):				
Buildings and additions	2,311,864,039		2,311,864,039	
Improvements other than buildings	338,186,542		338,186,542	
Vehicles and equipment	84,456,842	6,557,236	91,014,078	
<b>Total assets</b>	<b>3,379,896,759</b>	<b>28,688,757</b>	<b>3,408,585,516</b>	<b>6,414,820</b>
<b>Deferred Outflows Of Resources</b>				
Pension deferrals	277,419,284		277,419,284	
OPEB deferrals	266,443,136		266,443,136	
<b>Total deferred outflows of resources</b>	<b>543,862,420</b>	<b>-</b>	<b>543,862,420</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities	168,176,770	2,136,213	170,312,983	
Due to primary government				3,794
Due to external parties	32,178,043		32,178,043	
Unearned revenue	5,494,178	3,546,158	9,040,336	
Noncurrent liabilities:				
Due within one year	33,343,044	352,806	33,695,850	
Due in more than one year	3,086,444,624	2,969,184	3,089,413,808	
<b>Total liabilities</b>	<b>3,325,636,659</b>	<b>9,004,361</b>	<b>3,334,641,020</b>	<b>3,794</b>
<b>Deferred Inflows Of Resources</b>				
Pension deferrals	48,082,020		48,082,020	
OPEB deferrals	408,868,646		408,868,646	
<b>Total deferred inflows of resources</b>	<b>456,950,666</b>	<b>-</b>	<b>456,950,666</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	3,047,409,607	6,447,680	3,053,857,287	
Restricted - instructional programs and scholarships	395,240		395,240	2,230,614
Unrestricted	(2,906,632,993)	13,236,716	(2,893,396,277)	4,180,412
<b>Total net position</b>	<b>\$ 141,171,854</b>	<b>\$ 19,684,396</b>	<b>\$ 160,856,250</b>	<b>\$ 6,411,026</b>

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,762,655,649	\$ 3,151,155	\$ 40,857,202	\$ 39,714,005
Special education	481,466,470	256,322	38,068,680	
School administration	213,469,890		2,586,584	
Student personnel services	17,752,918		1,038,418	
Health services	1,590			
<b>Total instruction</b>	<u>2,475,346,517</u>	<u>3,407,477</u>	<u>82,550,884</u>	<u>39,714,005</u>
Support services:				
Student transportation	144,323,992		1,158,428	
Operation of plant	179,743,650			
Maintenance of plant	79,162,111			17,970,402
Administration	71,790,674		280,529	5,166,752
Community services	3,198,429		2,558,399	
Interest on capital leases	1,469,981			
<b>Total support services</b>	<u>479,688,837</u>	<u>-</u>	<u>3,997,356</u>	<u>23,137,154</u>
<b>Total governmental activities</b>	<u>2,955,035,354</u>	<u>3,407,477</u>	<u>86,548,240</u>	<u>62,851,159</u>
Business-type activities:				
Food services	60,564,324	17,896,527	43,620,377	897,719
Real estate management	3,651,111	3,327,588		
Field trips	2,308,586	2,175,575		
Entrepreneurial activities	13,264,774	12,856,424		
<b>Total business-type activities</b>	<u>79,788,795</u>	<u>36,256,114</u>	<u>43,620,377</u>	<u>897,719</u>
<b>Total primary government</b>	<u>\$ 3,034,824,149</u>	<u>\$ 39,663,591</u>	<u>\$ 130,168,617</u>	<u>\$ 63,748,878</u>
<b>Component Unit:</b>				
Educational Foundation	\$ 1,580,108	\$ -	\$ 1,913,444	\$ -

**General revenues:**

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,678,933,287)	\$ -	\$ (1,678,933,287)	\$ -
(443,141,468)		(443,141,468)	
(210,883,306)		(210,883,306)	
(16,714,500)		(16,714,500)	
(1,590)		(1,590)	
<u>(2,349,674,151)</u>	<u>-</u>	<u>(2,349,674,151)</u>	<u>-</u>
(143,165,564)		(143,165,564)	
(179,743,650)		(179,743,650)	
(61,191,709)		(61,191,709)	
(66,343,393)		(66,343,393)	
(640,030)		(640,030)	
(1,469,981)		(1,469,981)	
<u>(452,554,327)</u>	<u>-</u>	<u>(452,554,327)</u>	<u>-</u>
<u>(2,802,228,478)</u>	<u>-</u>	<u>(2,802,228,478)</u>	<u>-</u>
	1,850,299	1,850,299	
	(323,523)	(323,523)	
	(133,011)	(133,011)	
	(408,350)	(408,350)	
<u>-</u>	<u>985,415</u>	<u>985,415</u>	<u>-</u>
<u>(2,802,228,478)</u>	<u>985,415</u>	<u>(2,801,243,063)</u>	<u>-</u>
			<u>333,336</u>
1,934,769,763		1,934,769,763	
916,115,657		916,115,657	
23,015,752		23,015,752	
9,242,247	20,773	9,263,020	
<u>2,883,143,419</u>	<u>20,773</u>	<u>2,883,164,192</u>	<u>-</u>
80,914,941	1,006,188	81,921,129	333,336
60,256,913	18,678,208	78,935,121	6,077,690
<u>\$ 141,171,854</u>	<u>\$ 19,684,396</u>	<u>\$ 160,856,250</u>	<u>\$ 6,411,026</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash and investments	\$ 76,535,371	\$ -	\$ -	\$ 76,535,371
Accounts receivable:				
Montgomery County		53,716,309		53,716,309
State of Maryland	9,716,964	4,378,239		14,095,203
Federal government	9,700,363			9,700,363
Other	39,988,276	2,132,548		42,120,824
Due from other funds	21,920,785	908,733	436,955	23,266,473
Due from component unit	3,794			3,794
Inventories	5,550,794			5,550,794
Prepays	380,639			380,639
Due from employees	83,362			83,362
<b>Total assets</b>	<u>\$ 163,880,348</u>	<u>\$ 61,135,829</u>	<u>\$ 436,955</u>	<u>\$ 225,453,132</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 22,479,903	\$ 36,631,854	\$ 34,049	\$ 59,145,806
Retainage payable		11,856,402		11,856,402
Accrued salaries and withholdings	66,994,145			66,994,145
Due to other funds	9,657,520	12,647,573	7,666	22,312,759
Due to fiduciary funds	3,923,887			3,923,887
Unearned revenue	5,494,177			5,494,177
<b>Total liabilities</b>	<u>108,549,632</u>	<u>61,135,829</u>	<u>41,715</u>	<u>169,727,176</u>
<b>Fund balances:</b>				
Nonspendable	5,931,432			5,931,432
Restricted			395,240	395,240
Assigned	49,137,024			49,137,024
Unassigned	262,260			262,260
<b>Total fund balances</b>	<u>55,330,716</u>	<u>-</u>	<u>395,240</u>	<u>55,725,956</u>
<b>Total liabilities and fund balances</b>	<u>\$ 163,880,348</u>	<u>\$ 61,135,829</u>	<u>\$ 436,955</u>	<u>\$ 225,453,132</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 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 JUNE 30, 2019

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

Total fund balances - governmental funds	\$	55,725,956
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		\$ 4,623,353,827
Accumulated depreciation is		<u>(1,537,087,928)</u>
		3,086,265,899
Pension related deferred outflows of resources		277,419,284
OPEB related deferred outflows of resources		266,443,136
An internal service fund is used to account for the employee health benefit plan costs. The assets and liabilities of the internal service fund are included with governmental activities.		
		32,055,915
Treatment of compensated absences on the governmental statement has changed. 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	\$	(63,614,700)
Compensated absences		(143,236,084)
Net pension liability		(530,505,231)
Net OPEB liability		<u>(2,382,431,654)</u>
		(3,119,787,669)
Pension related deferred inflows of resources		(48,082,020)
OPEB related deferred inflows of resources		<u>(408,868,646)</u>
Total net position - governmental activities	\$	<u>141,171,854</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, 2019

	General	Capital Projects	Nonmajor Governmental Fund -Special Revenue	Total Governmental Funds
<b>Revenues:</b>				
Montgomery County	\$ 1,735,845,645	\$ 257,743,942	\$ -	\$ 1,993,589,587
State of Maryland	868,802,199	55,071,425		923,873,624
Federal government	102,816,155	805,121		103,621,276
Other sources	<u>5,934,452</u>	<u>3,244,214</u>	1,789,941	<u>10,968,607</u>
Total revenues	<u>2,713,398,451</u>	<u>316,864,702</u>	<u>1,789,941</u>	<u>3,032,053,094</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	50,821,017			50,821,017
Mid-level administration	148,254,887			148,254,887
Instructional salaries and wages	995,917,614			995,917,614
Instructional textbooks and supplies	29,862,590			29,862,590
Other instructional costs	18,711,018			18,711,018
Special education	342,604,008			342,604,008
Student personnel services	12,374,569			12,374,569
Health services	1,590			1,590
Student transportation	110,784,402			110,784,402
Operation of plant	141,668,968			141,668,968
Maintenance of plant	41,193,843			41,193,843
Fixed charges	807,858,788			807,858,788
Community services	704,306		1,723,205	2,427,511
<b>Debt service:</b>				
Capital lease principal	17,178,388	11,672,427		28,850,815
Capital lease interest	985,717	484,264		1,469,981
Capital outlay		<u>317,123,509</u>		<u>317,123,509</u>
Total expenditures	<u>2,718,921,705</u>	<u>329,280,200</u>	<u>1,723,205</u>	<u>3,049,925,110</u>
Excess (deficiency) of revenues over expenditures	<u>(5,523,254)</u>	<u>(12,415,498)</u>	<u>66,736</u>	<u>(17,872,016)</u>
<b>Other financing sources:</b>				
Capital lease financing	<u>20,755,386</u>	<u>12,415,498</u>		<u>33,170,884</u>
Total other financing sources	<u>20,755,386</u>	<u>12,415,498</u>	<u>-</u>	<u>33,170,884</u>
Net change in fund balances	15,232,132	-	66,736	15,298,868
Fund balances - beginning	<u>40,098,584</u>	<u>-</u>	<u>328,504</u>	<u>40,427,088</u>
Fund balances - ending	<u>\$ 55,330,716</u>	<u>\$ -</u>	<u>\$ 395,240</u>	<u>\$ 55,725,956</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 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds \$ 15,298,868

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 (\$317,123,512 less non-capitalized items of \$62,851,159) plus capital outlays for general fund assets (\$17,957,314) exceed depreciation expense (\$111,071,283) in the current period. 161,158,384

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets (\$1,217,086) and the donation of land from developers (\$3,897,200) is to increase net position. 2,680,114

Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities 85,228,085

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 89,452,121

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 (\$33,170,884) exceeded principal payments (\$28,850,815) (4,320,069)

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	\$ 7,899,202	
Pension expense	(89,662,002)	
OPEB expense	(199,227,631)	
		(280,990,431)

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. 12,407,869

Change in net position of governmental activities \$ 80,914,941

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, 2019

	Budgeted Amounts		Actual Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	Encumbrances	Total	
<b>Revenues:</b>						
Montgomery County	\$ 1,708,645,645	\$ 1,708,645,645	\$ 1,708,645,645	\$ -	\$ 1,708,645,645	\$ -
State of Maryland	714,165,190	714,165,190	711,122,358		711,122,358	(3,042,832)
Federal government	74,973,663	103,134,239	80,255,114		80,255,114	(22,879,125)
Other sources	5,024,162	5,024,162	5,934,452		5,934,452	910,290
<b>Total revenues</b>	<b>2,502,808,660</b>	<b>2,530,969,236</b>	<b>2,505,957,569</b>		<b>2,505,957,569</b>	<b>(25,011,667)</b>
<b>Expenditures and encumbrances:</b>						
<b>Current:</b>						
Administration	52,513,673	58,764,174	51,120,116	6,676,905	57,797,021	967,153
Mid-level administration	150,805,386	151,700,354	148,254,887	2,126,765	150,381,652	1,318,702
Instructional salaries and wages	1,020,207,902	1,029,986,594	1,003,182,889	19,467	1,003,202,356	26,784,238
Instructional textbooks and supplies	29,064,773	37,212,639	27,218,820	7,468,354	34,687,174	2,525,465
Other instructional costs	17,237,407	21,813,603	16,263,487	2,921,840	19,185,327	2,628,276
Special education	346,234,807	352,634,328	342,604,008	4,485,835	347,089,843	5,544,485
Student personnel services	12,903,312	13,591,563	12,374,569	4,822	12,379,391	1,212,172
Health services	1,590	1,590	1,590		1,590	
Student transportation	109,325,393	111,950,953	111,025,650	325	111,025,975	924,978
Operation of plant	140,888,137	143,953,950	141,758,758	2,020,084	143,778,842	175,108
Maintenance of plant	38,122,427	41,693,035	40,419,957	1,056,398	41,476,354	216,681
Fixed charges	609,638,690	610,521,454	600,417,906		600,417,906	10,103,548
Community services	865,163	910,256	704,306		704,306	205,950
<b>Total expenditures and encumbrances</b>	<b>2,527,808,660</b>	<b>2,574,734,493</b>	<b>2,495,346,943</b>	<b>26,780,793</b>	<b>2,522,127,736</b>	<b>52,606,757</b>
Excess (deficiency) of revenues over expenditures and encumbrances	(25,000,000)	(43,765,257)	10,610,627	(26,780,793)	(16,170,167)	27,595,090
<b>Other financing sources</b>						
Budgeted use of fund balance	25,000,000	29,000,000				(29,000,000)
Prior-year encumbrances		14,765,257			14,765,257	
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>			<b>(1,404,910)</b>	<b>(1,404,910)</b>
Fund balance - beginning					31,848,599	31,848,599
Fund balance - ending					<b>\$ 30,443,689</b>	<b>\$ 30,443,689</b>

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, 2019

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Food Services	Entrepreneurial	Nonmajor Enterprise Funds		
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ -	\$ -	\$ 604,172	\$ 604,172	\$ -
Cash and cash equivalents	11,419,045			11,419,045	
Investments - cash equivalents					81,140,843
Accounts receivable:					
Montgomery County	5,468	10,928,449		10,933,917	
State of Maryland	123,411			123,411	
Federal government	1,943,213			1,943,213	
Other	323,648	13,592	471,068	808,308	3,892,369
Due from other funds	3,763,286	697,034	107,654	4,567,974	5,457,279
Inventories	2,710,448			2,710,448	
Total current assets	<u>20,288,519</u>	<u>11,639,075</u>	<u>1,182,894</u>	<u>33,110,488</u>	<u>90,490,491</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Machinery and equipment	6,504,325	52,911		6,557,236	
Total noncurrent assets	<u>6,504,325</u>	<u>52,911</u>	<u>-</u>	<u>6,557,236</u>	<u>-</u>
Total assets	<u>26,792,844</u>	<u>11,691,986</u>	<u>1,182,894</u>	<u>39,667,724</u>	<u>90,490,491</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	409,708	1,571,484	155,021	2,136,213	1,158,132
Claims payable					20,750,708
Due to employees, advance premium withholdings					8,271,578
Due to other funds	1,260,383	9,662,156	56,428	10,978,967	
Due to fiduciary funds					28,254,158
Unearned revenue	2,991,720	554,437		3,546,157	
Capital leases - current	186,730			186,730	
Compensated absences - current	166,078			166,078	
Total current liabilities	<u>5,014,619</u>	<u>11,788,077</u>	<u>211,449</u>	<u>17,014,145</u>	<u>58,434,576</u>
Noncurrent liabilities:					
Capital leases payable	307,788			307,788	
Compensated absences	2,275,299	211,184	174,911	2,661,394	
Total noncurrent liabilities	<u>2,583,087</u>	<u>211,184</u>	<u>174,911</u>	<u>2,969,182</u>	<u>-</u>
Total liabilities	<u>7,597,707</u>	<u>11,999,261</u>	<u>386,360</u>	<u>19,983,328</u>	<u>58,434,576</u>
<b>Net Position</b>					
Net investment in capital assets	6,394,769	52,911		6,447,680	
Unrestricted (deficit)	12,800,368	(360,186)	796,534	13,236,716	32,055,915
Total net position	<u>\$ 19,195,137</u>	<u>\$ (307,275)</u>	<u>\$ 796,534</u>	<u>\$ 19,684,396</u>	<u>\$ 32,055,915</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, 2019

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Food Services	Entrepreneurial	Nonmajor Enterprise Funds	Total	
Operating revenues:					
Sale of food	\$ 17,896,527	\$ -	\$ -	\$ 17,896,527	\$ -
Rent and fees		12,856,424	5,503,163	18,359,587	
Employer's contributions					291,270,195
Members' contributions					49,612,408
Total operating revenues	<u>17,896,527</u>	<u>12,856,424</u>	<u>5,503,163</u>	<u>36,256,114</u>	<u>340,882,603</u>
Operating expenses:					
Salaries and wages	22,973,741	1,194,265	1,971,491	26,139,497	
Contracted services	1,393,395	11,352,909	328,802	13,075,106	
Supplies and materials	2,308,203	348,712	593,518	3,250,433	
Food purchases	17,190,879			17,190,879	
USDA commodities	3,728,679			3,728,679	
Other charges	11,864,350	330,161	3,065,886	15,260,397	1,634,340
Depreciation	1,105,078	38,727		1,143,805	
Benefits paid to plan members					272,452,080
Premiums paid to insurance companies					55,569,610
Total operating expenses	<u>60,564,324</u>	<u>13,264,774</u>	<u>5,959,697</u>	<u>79,788,795</u>	<u>329,656,029</u>
Operating income (loss)	<u>(42,667,797)</u>	<u>(408,350)</u>	<u>(456,534)</u>	<u>(43,532,681)</u>	<u>11,226,575</u>
Nonoperating revenues:					
National school lunch and other food programs:					
Federal funds	37,893,361			37,893,361	
State funds	1,998,337			1,998,337	
USDA commodities	3,728,679			3,728,679	
Investment income	20,773			20,773	1,181,295
Total nonoperating revenues	<u>43,641,150</u>	<u>-</u>	<u>-</u>	<u>43,641,150</u>	<u>1,181,295</u>
Income (loss) before capital contributions and transfers	973,354	(408,350)	(456,534)	108,469	12,407,869
Capital contributions - equipment	<u>897,719</u>			<u>897,719</u>	
Change in net position	1,871,073	(408,350)	(456,534)	1,006,188	12,407,869
Total net position - beginning	<u>17,324,064</u>	<u>101,075</u>	<u>1,253,068</u>	<u>18,678,208</u>	<u>19,648,046</u>
Total net position - ending	<u>\$ 19,195,137</u>	<u>\$ (307,275)</u>	<u>\$ 796,534</u>	<u>\$ 19,684,396</u>	<u>\$ 32,055,915</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, 2019

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Food Services	Entrepreneurial	Nonmajor Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 15,370,575	\$ 2,969,017	\$ 5,466,325	\$ 23,805,917	\$ 48,315,660
Receipts from assessments made to other funds				-	290,975,131
Payments to suppliers	(20,809,473)	(1,526,124)	(921,996)	(23,257,592)	(55,046,308)
Payments to employees	(25,127,471)	(1,265,260)	(2,101,887)	(28,494,618)	
Payments for insurance claims				-	(276,139,643)
Payments for assessments made by other funds	(8,847,975)	(183,461)	(241,272)	(9,272,708)	
Payments for other operating expenses	(850,234)	43,378	(2,679,027)	(3,485,882)	(1,634,340)
Net cash provided (used) by operating activities	<u>(40,264,578)</u>	<u>37,550</u>	<u>(477,857)</u>	<u>(40,704,884)</u>	<u>6,470,500</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Nonoperating grants received	39,877,194			39,877,194	
Transfers (to) from other funds					1,816,827
Net cash provided by noncapital financing activities	<u>39,877,194</u>	<u>-</u>	<u>-</u>	<u>39,877,194</u>	<u>1,816,827</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital leases	424,065			424,065	
Purchases of capital assets	(167,173)	(10,526)		(177,699)	
Principal paid on capital leases	(288,686)	(27,024)		(315,710)	
Net cash used by capital and related financing activities	<u>(31,794)</u>	<u>(37,550)</u>	<u>-</u>	<u>(69,345)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	20,774			20,774	1,149,132
Net cash provided by investing activities	<u>20,774</u>	<u>-</u>	<u>-</u>	<u>20,774</u>	<u>1,149,132</u>
Net increase (decrease) in cash and cash equivalents	(398,404)		(477,857)	(876,262)	9,436,460
Cash and cash equivalents - beginning	11,817,449		1,082,029	12,899,478	71,704,383
Cash and cash equivalents - ending	<u>\$ 11,419,045</u>	<u>\$ -</u>	<u>\$ 604,172</u>	<u>\$ 12,023,216</u>	<u>\$ 81,140,843</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (42,667,797)	\$ (408,350)	\$ (456,534)	\$ (43,532,681)	\$ 11,226,575
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,105,078	38,727		1,143,805	
USDA commodities used	3,728,679			3,728,679	
Effects of changes in operating assets and liabilities:					
Receivables	(2,581,227)	(10,249,595)	(36,838)	(12,867,660)	(662,061)
Due from other funds					(295,064)
Non USDA inventories	(120,570)	3,270		(117,300)	
Accounts payable	42,689	742,637	(4,338)	780,988	523,301
Claims payable					(3,025,502)
Advance premium withholdings					(1,296,748)
Due to other funds	160,884	9,527,366	4,662	9,692,912	
Unearned revenue	55,275	362,188		417,463	
Compensated absences	12,411	21,307	15,191	48,909	
Net cash provided (used) by operating activities	<u>\$ (40,264,578)</u>	<u>\$ 37,550</u>	<u>\$ (477,857)</u>	<u>\$ (40,704,885)</u>	<u>\$ 6,470,500</u>
<b>Noncash investing, capital and financing activities:</b>					
Capital contributions of equipment	\$ 897,719	\$ -	\$ -	\$ 897,719	\$ -
USDA commodities received	(3,728,679)			(3,728,679)	

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, 2019

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
<b>ASSETS</b>		
Cash	\$ <u>                  -</u>	\$ <u>15,112,915</u>
Investments:		
Global equities	1,075,131,406	
Fixed income securities	443,924,128	
Real estate	91,445,163	
Alternative investments	168,405,422	
Short-term investments/CRHBT	<u>495,894,089</u>	
Total investments	2,274,800,208	<u>                  -</u>
Accounts receivable	1,503,994	1,787,185
Due from Internal Service Fund	28,254,158	
Due from General Fund	4,921,011	
Inventories		125,070
Total assets	\$ <u>2,309,479,371</u>	\$ <u>17,025,170</u>
<b>LIABILITIES</b>		
Accounts payable	677,506	1,645,717
Claims payable	7,416,439	
Due to General Fund	997,125	
Due to student groups		<u>15,379,453</u>
Total liabilities	\$ <u>9,091,070</u>	\$ <u>17,025,170</u>
<b>NET POSITION</b>		
Restricted for pension and other postemployment benefits	\$ <u>2,300,388,301</u>	

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, 2019

	Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 151,436,388
Members	63,695,039
Federal government - Medicare Part D	<u>22,561,041</u>
Total contributions	<u>237,692,468</u>
Investment earnings:	
Net increase in fair value of investments	76,417,401
Interest and dividends	<u>45,117,908</u>
Total investment earnings	<u>121,535,309</u>
Less investment expense:	
Investment fees and other	<u>(7,123,770)</u>
Total investment expense	<u>(7,123,770)</u>
Net investment earnings	<u>114,411,539</u>
Total additions	<u>352,104,007</u>
<b>DEDUCTIONS</b>	
Benefits paid to plan members	206,552,619
Premiums paid to insurance companies	18,314,822
Administrative expenses	<u>1,669,981</u>
Total deductions	<u>226,537,422</u>
Change in net position	125,566,585
Net position - beginning	<u>2,174,821,716</u>
Net position - ending	<u><u>\$ 2,300,388,301</u></u>

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, 2019

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Note I	Summary of Significant Accounting Policies
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BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**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. Since the Foundation adheres to the reporting conventions of the Financial Accounting Standards Board (FASB), and the Board's Statements conform to GASB, adjustments 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

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

reported separately from its legally separate component unit for which the primary government is financially accountable.

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

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

- The Food Services Fund accounts for the operations of 207 cafeterias and the central production facility, providing for the preparation and sale of meals to students, other agencies, and customers.
- The entrepreneurial activities fund provides supplemental funding for the instructional program through the sale of Board expertise, services and products. In addition, the fund records revenue received from Montgomery County for school bus stop sign citations that funds the installment of school bus cameras.

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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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, entrepreneurial, and nonmajor enterprise funds, as well as the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

The government-wide, proprietary, and certain fiduciary (pension and other employee benefit trust) fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenue from 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 funds 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,

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles.

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

**D. USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

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

**E. CASH AND INVESTMENTS**

The Board maintains an active pooled cash and investment program which is managed in accordance with the Annotated Code of Maryland. Overnight investments in repurchase agreements and money market investments are stated at amortized cost. Investment income is allocated to the various funds based on their average equity in the pool. The assignment of allocated investment income to the general fund is reported as a transfer.

Pension Trust Fund investments consist of separate and comingled funds carried at fair value. Equity and bond securities are valued 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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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.

**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

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**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 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 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) 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.

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

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

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

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

When an expenditure has been spent for which both restricted and unrestricted fund balance is available, the Board considers restricted amounts to have been spent before unrestricted amounts. Within unrestricted amounts, when committed, assigned, or unassigned fund balances exist, the Board considers committed amounts to be spent first, followed by assigned amounts, and then unassigned amounts, when expenditures are incurred for which amounts in any of those unrestricted fund balance classifications could be used. Net position of the Internal Service Fund represents equity reserved for future claim losses and benefits under the employee benefit plan.

For purposes of measuring the net pension 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. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations, legally enforceable liabilities

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associated with the retirement of tangible capital assets. The 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. 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 (FY 2020). 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 (FY 2021). 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 (FY 2020). The Board is currently evaluating the effect of implementation of this Statement.

*Statement No. 91, Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022). 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 as adopted, to the extent that funds are not raised from other sources (state and federal government, 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 a 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.
- Compensated absences will be treated as a government-wide liability going forward.
- State of Maryland retirement contributions made on behalf of the Board employees are a legal obligation of the State, and so are not included in the Board budget.
- Montgomery County OPEB 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.

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

	<u>Revenues</u>	<u>Expenditures &amp; Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,505,957,569	\$ 2,522,127,736	-	\$ (16,170,167)
Reconciling items:				
2019 Encumbrances outstanding		(24,137,024)		24,137,024
Increase in compensated absences		(7,265,275)		7,265,275
State of Maryland retirement contributions	157,679,841	157,679,841		
Montgomery County OPEB contributions	27,200,000	27,200,000		
Federal Medicare Part D contributions	22,561,041	22,561,041		
Capital lease financing		20,755,386	20,755,386	
As reported – GAAP basis	<u>\$ 2,713,398,451</u>	<u>\$ 2,718,921,705</u>	<u>\$ 20,755,386</u>	<u>\$ 15,232,132</u>

Governmental funds encumbrances outstanding at June 30, 2019 include \$24,137,024 for the General Fund and \$306,547,624 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 (FY), 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, 2019, \$2,643,770 of such purchase orders had been issued.

### III. DEPOSITS AND INVESTMENTS

Cash and investments at June 30, 2019 are summarized as follows:

	<u>Primary Government (including fiduciary)</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 77,139,543	\$ -
Cash and cash equivalents	11,419,045	110,292
Cash-fiduciary funds	15,112,915	
Investments – cash equivalents	81,140,844	6,304,528
Investments-fiduciary funds	2,274,800,208	
Total	<u>\$ 2,459,612,555</u>	<u>\$ 6,414,820</u>
Deposits and Investments Summary:		
Deposits	\$ 103,669,031	110,292
Investments	2,355,941,052	6,304,528
Cash on hand	2,472	
Total	<u>\$ 2,459,612,555</u>	<u>\$ 6,414,820</u>

#### 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 a 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

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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, 2019, the reported balance of the Board's deposits was \$103,669,031 and the bank balance was \$105,754,366. 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, 2019 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 1,075,131,406
Fixed income securities	443,924,128
Real estate	91,445,163
Alternative investments	168,405,422
Subtotal Pension Trust Investments	<u>1,778,906,119</u>
OPEB Related Investments:	
Investment in CRHBT	<u>465,072,874</u>
Subtotal OPEB Related Investments	\$ <u>465,072,874</u>
Other Investments:	
Cash equivalents	<u>111,962,059</u>
Total Investments	\$ <u><u>2,355,941,052</u></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 FY 2019, the investment portfolios were managed within the duration guidelines specified in each of the respective investment policies.

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 should be in response to changes in interest rates.

As of June 30, 2019, 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	\$ 344,543,685	4.1
Other fixed income	<u>99,380,443</u>	3.1
Total	\$ <u><u>443,924,128</u></u>	

*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

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funds operated in accordance with the U.S. Securities and Exchange Commission (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 private real estate investments.

Pension Trust fixed income investments at June 30, 2019, had the following credit risk characteristics:

<u>S&amp;P/Moody's Quality Rating</u>	<u>Percent of Fixed-Income Investments</u>	<u>Fair Value</u>
AAA	7.3%	\$ 32,271,532
AA	50.7%	225,123,285
A	9.7%	43,244,560
BBB	14.0%	62,306,504
BB and below	6.5%	28,986,467
Not rated	11.8%	51,991,780
Total	<u>100.0%</u>	<u>\$ 443,924,128</u>

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

During FY 2019, individual holdings in the investment portfolios did not exceed policy guidelines. About \$16.8 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, 2019, is as follows:

<u>Currency</u>	<u>Fixed Income</u>	<u>Alternative Investments</u>	<u>Total Fair Value</u>
European Currency Unit	\$ 154,500	\$ 9,770,891	\$ 9,925,391
Japanese Yen	493		493
Pound Sterling	276		276
Swiss Franc	1,336		1,336
Total	<u>\$ 156,605</u>	<u>\$ 9,770,891</u>	<u>\$ 9,927,496</u>

*Commitments.* At June 30, 2019, unfunded commitments were \$124,867,867 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
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

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The Board has the following recurring fair value measurements as of June 30, 2019:

Investments by fair value level	<u>6/30/2019</u>
Investments measured at the net asset value (NAV)	
Global equities	
Commingled equity funds	\$ 1,075,131,406
Fixed Income Securities	
Commingled Bond funds	443,924,128
Real Estate	
Private real estate funds	91,445,163
Alternative Investments	
Private Equity	68,564,022
Hedge Funds	99,841,400
Other Investments	
Investment in CRHBT	<u>465,072,874</u>
Total investments measured at the NAV	<u>2,243,978,993</u>
Cash & Cash Equivalents	<u>111,962,059</u>
Total Investments	<u>\$ 2,355,941,052</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	\$ 1,075,131,406	\$ -	Daily or bimonthly	T+2, T+3 settlement
Fixed Income Securities				
Commingled bond funds	443,924,128		Daily	T+2, T+3 settlement
Real Estate				
Private real estate funds	91,445,163	11,705,659	Illiquid or Quarterly	60 days for quarterly redemption
Alternative Investments				
Private equity	68,564,022	113,162,208	Illiquid	
Hedge funds	99,841,400		Monthly, quarterly or annual	30-90 days
Other Investments				
Investment in CRHBT	<u>465,072,874</u>		Illiquid	
Total Investments Measured at the NAV	<u>\$ 2,243,978,993</u>	<u>\$ 124,867,867</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.

- 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, Russell 2000 Index, MSCI EAFE Small Cap Index, MSCI Emerging Markets Equity Index. Characteristics of the portfolio include:

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- 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 – 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 the 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 investments of these types has been determined using the NAV per share. This type includes investments in limited partnerships and commingled funds with the quarterly redemption term and 60 days advance notice required. 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 core fixed income and global equity portfolios. It is expected to meet or exceed the NCREIF Fund Index - ODCE (Open-End Diversified Core Equity).

Private Equity and Hedge funds. The fair value of the investments of these types has been determined using the NAV per share of the investments.

- Private equity fund managers generally invest money in companies whose shares are not publicly traded on a stock exchange, or in companies with publicly traded securities that the private equity firm intends to take private by acquiring all of the public securities. Private equity managers are active investors who typically play a 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. Comparing private equity returns to a public equity index will naturally result in large performance differences in

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the short and medium term. As the private equity benchmark, the Russell 3000 + 200 basis points is used as a long-term performance tool.

- 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 \$2,472 on hand in petty cash accounts.

**IV. INTERFUND RECEIVABLES AND PAYABLES**

Interfund transactions that are due *from* other funds are reported below as "Funds Reflecting a Receivable" and the amounts due *to* other funds are reported below as "Funds Reflecting a Payable." These amounts are 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, 2019, is as follows:

Funds Reflecting a Receivable	Funds Reflecting a Payable							Total
	General	Capital Projects	Food Services	Instructional TV	Entrepreneurial	Real Estate	Field Trip	
General	\$ -	\$ 12,258,629	\$ -	\$ -	\$ 9,662,156	\$ -	\$ -	\$ 21,920,785
Capital Projects			901,097	7,636				908,733
Food Services	3,763,286							3,763,286
Instructional TV	436,955							436,955
Entrepreneurial		335,866	356,049	30		1,391	3,698	697,034
Real Estate		41,274	1,516					42,790
Field Trip		11,804	1,721			51,339		64,864
Internal Service	5,457,279							5,457,279
<b>Total</b>	<b>\$ 9,657,520</b>	<b>\$ 12,647,573</b>	<b>\$ 1,260,383</b>	<b>\$ 7,666</b>	<b>\$ 9,662,156</b>	<b>\$ 52,730</b>	<b>\$ 3,698</b>	<b>\$ 33,291,726</b>

**V. DUE FROM EMPLOYEES**

The \$83,362 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, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 101,077,760	\$ 3,897,200	\$ -	\$ 104,974,960
Construction in progress	89,715,477	240,104,675	83,036,636	246,783,516
Total nondepreciable capital assets	<u>190,793,237</u>	<u>244,001,875</u>	<u>83,036,636</u>	<u>351,758,476</u>
Depreciable capital assets:				
Buildings and improvements	3,559,418,452	91,236,809	4,927,306	3,645,727,955
Site improvements	426,634,632	5,967,503		432,602,135
Vehicles and equipment	192,739,004	17,957,315	17,431,058	193,265,261
Total depreciable capital assets	<u>4,178,792,088</u>	<u>115,161,627</u>	<u>22,358,364</u>	<u>4,271,595,351</u>
Less accumulated depreciation for:				
Buildings and improvements	1,247,295,744	90,605,175	4,037,003	1,333,863,916
Site improvements	86,862,822	7,552,771		94,415,593
Vehicles and equipment	112,999,356	12,913,337	17,104,274	108,808,419
Total accumulated depreciation	<u>1,447,157,922</u>	<u>111,071,283</u>	<u>21,141,277</u>	<u>1,537,087,928</u>
Total depreciable capital assets, net	2,731,634,166	4,090,344	1,217,087	2,734,507,423
Government activities capital assets, net	<u>\$ 2,922,427,403</u>	<u>\$ 248,092,219</u>	<u>\$ 84,253,723</u>	<u>\$ 3,086,265,899</u>
<b>Business-Type Activities:</b>				
Depreciable capital assets:				
Vehicles and equipment	23,471,639	1,093,151	3,137,280	21,427,510
Total depreciable capital assets	<u>23,471,639</u>	<u>1,093,151</u>	<u>3,137,280</u>	<u>21,427,510</u>
Less accumulated depreciation for:				
Vehicles and equipment	16,846,016	1,143,805	3,119,547	14,870,274
Total accumulated depreciation	<u>16,846,016</u>	<u>1,143,805</u>	<u>3,119,547</u>	<u>14,870,274</u>
Business-type activities capital assets, net	<u>\$ 6,625,623</u>	<u>\$ (50,654)</u>	<u>\$ 17,733</u>	<u>\$ 6,557,236</u>

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

<b>Governmental Activities:</b>	
Regular instruction	\$ 88,052,821
Special education	146,295
School administration	7,271
Student transportation	11,213,280
Operation of plant	232,359
Maintenance of plant	11,235,393
Administration	180,883
Community services	2,981
Total depreciation expense-governmental activities	<u>\$ 111,071,283</u>
<b>Business Type Activities:</b>	
Food Services	1,105,078
Entrepreneurial	38,727
Total depreciation expense business type activities	<u>\$ 1,143,805</u>

Commitments for ongoing construction in progress at June 30, 2019 are \$285,920,062.



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**VII. PAYABLES**

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2019 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 60,303,937	\$ 2,136,213	\$ 62,440,150
Retainage payable	11,856,402		11,856,402
Accrued salaries and withholdings	66,994,145		66,994,145
Claims payable	20,750,708		20,750,708
Due to employees-advance premium withholding	8,271,578		8,271,578
Total accounts payable and other current liabilities	<u>\$ 168,176,770</u>	<u>\$ 2,136,213</u>	<u>\$ 170,312,983</u>

**VIII. LEASES**

**A. OPERATING LEASES**

Expenditures under lease agreements for office space and equipment were approximately \$7,933,931 in FY 2019. Commitments for FY 2020 under lease agreements are approximately \$8,008,333. 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 FY 2024. Lease payments, including interest, in FY 2019 were \$18,164,104 for the General Fund, \$12,156,690 for the Capital Projects Fund and \$316,204 for the Enterprise Funds.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 76,451,609	\$ 138,455
Less: accumulated depreciation	(15,967,173)	(8,180)
Total	<u>\$ 60,484,436</u>	<u>\$ 130,275</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2020	\$ 26,141,079	\$ 197,136
2021	19,557,150	143,057
2022	12,901,948	88,515
2023	5,803,228	88,515
2024	2,617,303	
Total minimum lease payments	67,020,708	517,223
Less: Amount representing interest	(3,406,008)	(22,705)
Present value of future minimum lease payments	<u>\$ 63,614,700</u>	<u>\$ 494,518</u>

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\$38,856,291 of outstanding capital lease obligations for governmental activities at June 30, 2019, were used to acquire capital assets. \$109,556 of outstanding capital lease obligations for business-type activities at June 30, 2019, were used to acquire capital assets.

**IX. LONG-TERM LIABILITIES**

Long-term liability activities during FY 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 59,294,633	\$ 33,170,883	\$ 28,850,816	\$ 63,614,700	\$ 24,551,557
Compensated absences	143,577,744	8,538,630	8,880,290	143,236,084	8,791,487
Net pension liability(*)	397,542,261	132,962,969		530,505,230	
Net OPEB liability(*)	<u>2,292,195,425</u>	<u>266,443,136</u>	<u>176,206,907</u>	<u>2,382,431,654</u>	
<b>Total</b>	<b>\$ 2,892,610,063</b>	<b>\$ 441,115,618</b>	<b>\$ 213,938,013</b>	<b>\$ 3,119,787,668</b>	<b>\$ 33,343,044</b>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Capital leases	\$ 386,164	\$ 424,065	\$ 315,711	\$ 494,518	\$ 186,730
Compensated absences	<u>2,778,563</u>	<u>228,449</u>	<u>179,540</u>	<u>2,827,472</u>	<u>166,076</u>
<b>Total</b>	<b>\$ 3,164,727</b>	<b>\$ 652,514</b>	<b>\$ 495,251</b>	<b>\$ 3,321,990</b>	<b>\$ 352,806</b>

\* Net Pension and OPEB liabilities are generally liquidated by the General Fund.

**X. FUND BALANCE**

**A. GOVERNMENTAL FUNDS**

Fund Balance as of June 30, 2019 consists of the following:

Fund Balances:	General	Instructional TV	Total Governmental Funds
<u>Nonspendable:</u>			
Inventories	\$ 5,550,793	\$ -	\$ 5,550,793
Prepays	380,639		380,639
<b>Total NonSpendable</b>	<u>5,931,432</u>		<u>5,931,432</u>
<u>Restricted for:</u>			
Instructional TV program		395,240	395,240
<b>Total Restricted</b>	<u>-</u>	<u>395,240</u>	<u>395,240</u>
<u>Assigned for:</u>			
Subsequent Year's Budget	25,000,000		25,000,000
<u>Encumbrances:</u>			
Administrative	6,159,900		6,159,900
Instructional	14,900,019		14,900,019
Operation of Plant	3,077,105		3,077,105
<b>Total Encumbrances</b>	<u>24,137,024</u>	<u>-</u>	<u>24,137,024</u>
<b>Total Assigned</b>	<u>49,137,024</u>	<u>-</u>	<u>49,137,024</u>
<b>Unassigned</b>	<u>262,260</u>		<u>262,260</u>
<b>Total Fund Balances</b>	<b>\$ 55,330,716</b>	<b>\$ 395,240</b>	<b>\$ 55,725,956</b>

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**B. PROPRIETARY FUNDS**

The Food Services, Field Trip and Real Estate Management Funds ended the year with a positive net position. However, the Entrepreneurial Fund net position as of June 30, 2019, was negative. The reasons for the decrease in FY 2019 were temporary in nature, and it is expected that the net position will be positive from regular operations by June 2020.

**XI. 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 XIV). Claims payable of \$20,750,708 and \$7,416,439 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2019, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in claims payable for fiscal years 2019 and 2018 are reflected below.

	<u>Beginning Payable</u>	<u>Incurred Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>Ending Payable</u>
<b>2019</b>				
Internal Service Fund	\$ 23,776,210	\$ 272,452,080	\$ (275,477,582)	\$ 20,750,708
Fiduciary Funds	<u>6,322,107</u>	<u>104,305,170</u>	<u>(103,210,838)</u>	<u>7,416,439</u>
<b>Total</b>	<u>\$ 30,098,317</u>	<u>\$ 376,757,250</u>	<u>\$ (378,688,420)</u>	<u>\$ 28,167,147</u>
<b>2018</b>				
Internal Service Fund	\$ 23,438,955	\$ 274,944,965	\$ (274,607,710)	\$ 23,776,210
Fiduciary Funds	<u>8,156,965</u>	<u>94,798,239</u>	<u>(96,633,097)</u>	<u>6,322,107</u>
<b>Total</b>	<u>\$ 31,595,920</u>	<u>\$ 369,743,204</u>	<u>\$ (371,240,807)</u>	<u>\$ 30,098,317</u>

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**XII. DEFINED BENEFIT PENSION PLANS (GASB 68)**

Substantially all of the Board's employees working at least four 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.

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.

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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 on July 1, 2011, any new member of the Teachers' or Employees' Pension System earns 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, 2019 was \$157,679,841. The FY 2019 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 required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2019 was \$60,354,730.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2019, was 4.38% 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, 2019 of \$682,777.

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**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

**EMPLOYEES' RETIREMENT AND PENSION SYSTEMS**

At June 30, 2019, the Board reported a liability of \$6,842,056 for its proportionate share of the net pension liability of the System, increased by \$262,543 from \$6,579,513 in FY 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2018. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2018, the Board's proportionate share was 0.0326098%, which is an increase of 0.0021825% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Board recognized pension expense of \$717,760. 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	\$ 672,859	\$ -
Net difference between projected and actual earnings on pension plan investments	1,867,877	
Difference between projected and actual experience		985,265
Board contributions subsequent to the measurement date	682,777	
Total	\$ 3,223,513	\$ 985,265

The \$682,777 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, 2020. 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:	
2020	\$ (2,740,565)
2021	(420,346)
2022	2,946,312
2023	1,450,879
2024	319,191
Total	\$ 1,555,471

**TEACHERS' RETIREMENT AND PENSION SYSTEMS**

At June 30, 2019, 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

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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	\$	1,618,273,835
The Board's proportionate share of the net pension liability		-
Total		\$ 1,618,273,835

The net pension liability was measured as of June 30, 2018, 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, 2019, the Board recognized pension expense of \$157,679,841 and revenue of \$157,679,841 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, 2018 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	2.60% general, 3.10% wage
Salary increases	3.10% to 9.10%, including inflation
Investment rate of return	7.45%
Discount Rate	7.45%
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, 2018 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, Cost-of-Living Adjustment (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 weighting 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 consultants and actuaries. For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.8%
Rate Sensitive	19	1.1
Credit Opportunity	9	3.6
Real Assets	14	4.8
Absolute Return	8	3.2
Private Equity	13	6.7
Total	100%	

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The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 8.08%. 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 (SDR) used to measure the total pension liability was 7.45%. This SDR was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this SDR 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 an SDR of 7.45%, as well as what the Board’s net pension liability would be if it were calculated using an SDR that is one percent lower or one percent higher:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board’s proportionate share of the net pension liability	\$ 9,414,669	\$ 6,842,056	\$ 4,679,966

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

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

## B. THE BOARD PLAN

### GENERAL INFORMATION ABOUT THE PENSION PLAN

*Plan Description.* The Employees' Retirement and Pension System is funded and administered as a single plan with three separate benefit structures: the retirement system, the pension system, and the reformed pension system. The Retirement system covers employees hired prior to January 1, 1980. The retirement system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers’ Retirement System and supplements the state benefits to members of the Maryland State Teachers’ Retirement System. The Pension system covers employees hired after January 1, 1980. Members in the retirement system may elect to participate in the pension system, in which case their excess contributions are refunded. Effective July 1, 2011, the Board adopted plan amendments to the core Pension System that generally mirror State of Maryland plan changes. This is called the reformed pension plan.



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*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, 2017 the date of the latest actuarial report for employer reporting, 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's actuarially determined contribution rate as a percentage of covered payroll for FY 2019 was 4.11%.

**NET PENSION LIABILITY**

The Board's net pension liability was measured as of June 30, 2018, 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	\$ 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
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	7.0%
Projected salary increases	Service and age based split between teachers and staff
Cost-of-living adjustments	1.95% - 2.75%
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 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	25%	4.49%
Global Equities	50%	7.94%
Alternatives	25%	7.69%

*Discount Rate.* The discount rate used to measure the total pension liability was 7.0%. 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 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.

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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 (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
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.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended June 30, 2019, the Board recognized pension expense of \$92,693,687. At June 30, 2019, 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	\$ 26,906,177	\$ 47,096,755
Net difference between projected and actual earnings on pension plan investments measurement date	8,068,352	
Changes in assumptions	150,451,899	
Board contributions subsequent to the measurement date	88,769,344	
Total	\$ 274,195,772	\$ 47,096,755

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Board contributions of \$88,769,344 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, 2020. 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:		
2020	\$	48,413,168
2021		33,142,010
2022		7,429,146
2023		15,318,697
2024		19,508,138
Thereafter		14,518,514
Total	\$	<u>138,329,673</u>

**XIII. 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, 2018, the date of the latest actuarial report, the Board’s plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	13,768
Terminated plan members entitled to benefits but not yet receiving them	6,303
Active plan members	<u>23,286</u>
Total	<u>43,357</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 2019 was 4.11%.

**NET PENSION LIABILITY**

Beginning of year total pension liability is based on the Board’s actuarial valuation date of July 1, 2018, and a measurement date of June 30, 2018. The end of year total pension liability based on the Board’s actuarial valuation date of July 1, 2018, with the results rolled forward to a measurement date of June 30, 2019 is as follows:

Total pension liability	\$ 2,356,205,761
Plan fiduciary net position	<u>(1,808,730,209)</u>
Net pension liability	<u>\$ 547,475,552</u>

Plan fiduciary net position as a percentage of the total pension liability: 76.76%

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

Valuation Date	July 1, 2018
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 3.0%, 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 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, 2018, then rolled forward to June 30, 2019 including any changes made to the roll forward. The actuarial assumption used in this 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 rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2019 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed income	23%	4.72%
Global Equities	50	7.88
Alternatives	25	8.46
Cash & Cash Equivalents	2	3.00
Total	100%	

\* Expected inflation: 2.25%

*Discount Rate.* The discount rate used to measure the total pension liability was 7.0%. 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 6/30/2018	\$ 2,242,829,828	\$ 1,719,166,656	\$ 523,663,172
Changes for the year			
Service cost	51,411,385		51,411,385
Interest	155,248,918		155,248,918
Differences between expected and actual experience	8,963,079		8,963,079
Contributions – employer		88,769,344	(88,769,344)
Contributions – employee		24,951,070	(24,951,070)
Net Investment Income		79,565,868	(79,565,868)
Benefit payments, including refunds of employee contributions	(102,247,449)	(102,247,449)	
Administrative expense		(1,475,280)	1,475,280
Net Changes	113,375,933	89,563,553	23,812,380
Balances as of 6/30/2019	<u>\$ 2,356,205,761</u>	<u>\$ 1,808,730,209</u>	<u>\$ 547,475,552</u>

*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:

Net Pension Liability	\$	<u>1% Decrease (6.0%)</u>	\$	<u>Current Rate (7.0%)</u>	\$	<u>1% Increase (8.0%)</u>
		\$865,065,683		547,475,552		284,539,221

*Rate of Return on Investments.* The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2019 was 4.9%. 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.

**XIV. POSTEMPLOYMENT HEALTHCARE BENEFITS (GASB 75)**

**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.

*Benefit Provided.* The Board offers single employer plans including CareFirst BlueChoice HMO/Point of Service (POS)/Preferred Provider Organization (PPO), Kaiser HMO, Caremark Prescription Drugs (Option A or B), Kaiser Prescription Drugs, CareFirst Dental, Aetna Dental Maintenance Organization (DMO) or

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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, 2017, the date of the latest actuarial valuation for employer reporting:

Retirees and beneficiaries receiving benefits	9,493
Active plan members	<u>23,010</u>
Total	<u>32,503</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 FY 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.

Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to create a 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’s 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 2018, the Montgomery County Council contributed \$55,165,381 and recorded as on behalf of the Board employees. In FY 2019 the Montgomery County Council contributed \$27,200,000 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 issued for the CRHBT.

*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

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are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**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 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	2.75%
Salary increases	1.95% to 2.75%, 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 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: 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.

The assets of CRHBT are managed by the county. The following target allocation was adopted asset allocation policy as of June 30, 2018 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 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, 2018 (see the discussion of the OPEB plan’s investment policy) are summarized in the following table:



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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	16.80%	4.20%
International Equities	13.50	4.20
Emerging Market Equities	3.40	4.20
Global Equities	3.80	4.45
Private Equity	8.00	5.98
Private Debt	2.00	4.70
High Yield Bonds	8.50	3.00
Directional Hedge Funds	2.50	4.05
Long Duration Fixed Income	13.50	1.90
Cash	1.00	0.10
Diversifying Hedge Funds	2.50	2.99
Global ILs	12.00	2.95
Private Real Assets	5.00	7.28
Public Real Assets	7.50	4.99
	<u>100.00%</u>	

*Discount Rate:* An SDR of 5.4% was used to measure the total OPEB liability as of June 30, 2018. The SDR was based on an expected rate of return on OPEB plan investments of 7.5% and a 20 year municipal bond rate of 3.62%. The projection of cash flows used to determine this SDR assumed that for contributions until FY 2034, the county would contribute the amount of the net benefit payments plus 50% of the difference between the Annual Required Contribution (ARC) calculation in the actuarial valuation and the projected net benefit payments. For contributions during FY 2034 and after, the county will contribute the ARC amount calculated in the actuarial valuation.

By comparison, the SDR, 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)
<b>Balances at 6/30/2017</b>	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425
<b>Changes for the year</b>			
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
<b>Net Changes</b>	<u>160,535,784</u>	<u>70,299,555</u>	<u>90,236,229</u>
<b>Balances as of 6/30/2018</b>	<u>\$ 2,838,086,716</u>	<u>\$ 455,655,062</u>	<u>\$ 2,382,431,654</u>

*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

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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 7.8%. 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.

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

For the year ended June 30, 2019, the Board recognized OPEB expense of \$199,227,631. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 181,215,051	\$ 208,427,739
Net difference between projected and actual earnings on OPEB plan investments at measurement date		7,935,271
Difference between expected and actual experience		192,505,636
Board contributions subsequent to the measurement date	85,228,085	
Total	\$ 266,443,136	\$ 408,868,646

Board contributions of \$85,228,085 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, 2020. 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:	
2020	\$ (35,179,562)
2021	(35,179,562)
2022	(35,179,564)
2023	(32,837,231)
2024	(32,610,162)
Thereafter	(56,667,514)
Total	\$ (227,653,595)

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**XV. 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 XIV.

Plan membership consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Inactive Plan Members with Medical Coverage	9,744
Active Plan Members	23,286
Total	33,030

*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. 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 FY 2019, plan members and beneficiaries receiving benefits contributed \$38,743,969 (approximately 31.3% of current contributions). The Board and other contributing entities’ contributed \$85,228,085 (approximately 68.7% 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, 2019, were as follows:

Total OPEB liability	\$ 3,107,830,553
Plan fiduciary net position	(491,656,788)
Net OPEB liability	\$ 2,616,173,765
Plan fiduciary net position as a percentage of the total OPEB liability:	15.82%

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, then rolled forwarded using the 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:

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Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	3.0%
Salary increases	1.95% to 3.75%, 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 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: 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, 2018, and a measurement date of June 30, 2019. Update procedures were used to roll forward the total OPEB liability to the OPEB plan's fiscal year end.

*Discount Rate.* An SDR of 4.85% was used to measure the total OPEB liability as of June 30, 2019. The SDR was based on an expected rate of return on OPEB plan investments of 7.5% and a 20 year municipal bond rate of 3.13%. The projection of cash flows used to determine this SDR 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 SDR as of June 30, 2018, was 5.40%, based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 3.62%.

**CHANGES IN THE NET OPEB LIABILITY**

	Increase (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balances at 6/30/2018</b>	\$ 2,838,086,716	\$ 455,655,062	\$ 2,382,431,654
<b>Changes for the year</b>			
Service cost	104,162,538		104,162,538
Interest	153,797,183		153,797,183
Differences between expected and actual experience	(73,824,566)		(73,824,566)
Contributions - employer		62,667,044	(62,667,044)
Medicare Part D subsidies		38,743,969	(38,743,969)
Contributions - employee		22,561,041	(22,561,041)
Net Investment Income		34,845,670	(34,845,670)
Benefit payments, including refunds of employee contributions	(83,877,327)	(122,621,296)	38,743,969
Administrative expense		(194,702)	194,702
Assumption changes	169,486,009		169,486,009
<b>Net Changes</b>	<u>269,743,837</u>	<u>36,001,726</u>	<u>233,742,111</u>
<b>Balance as of 6/30/2019</b>	<u>\$ 3,107,830,553</u>	<u>\$ 491,656,788</u>	<u>\$ 2,616,173,765</u>

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*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 4.85%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (3.85%) or one-percent higher (5.85%) than the current rate:

	<u>1% Decrease (3.85%)</u>	<u>Discount Rate (4.85%)</u>	<u>1% Increase (5.85%)</u>
Net OPEB liability	\$ 3,186,007,930	\$ 2,616,173,765	\$ 2,165,438,938

*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	\$2,105,873,671	\$ 2,616,173,765	\$ 3,284,388,074

*Rate of Return on Investments.* The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, for FY 2019 was 8.26%. 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.

**XVI. 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

	<u>Retirement and Pension System</u>	<u>OPEB Plan Trust</u>	<u>Total</u>
Assets:			
Current assets	\$ 1,809,727,334	\$ 499,752,037	\$ 2,309,479,371
Total assets	1,809,727,334	499,752,037	2,309,479,371
Liabilities:			
Total liabilities	997,125	8,093,945	9,091,070
Net Position:			
Restricted for pension and other postemployment benefits	\$ 1,808,730,209	\$ 491,658,092	\$ 2,300,388,301

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Retirement and Pension System</u>	<u>OPEB Plan Trust</u>	<u>Total</u>
Additions:			
Contributions	\$ 113,720,414	\$ 123,972,054	\$ 237,692,468
Net investment earnings	79,565,869	34,845,670	114,411,539
Total additions	193,286,283	158,817,724	352,104,007
Deductions:			
Benefit and premium payments	102,247,449	122,619,992	224,867,441
Administrative expenses	1,475,279	194,702	1,669,981
Total deductions	103,722,728	122,814,694	226,537,422
Change in net position	89,563,555	36,003,030	125,566,585
Net position – beginning	1,719,166,654	455,655,062	2,174,821,176
Net position – ending	\$ 1,808,730,209	\$ 491,658,092	\$ 2,300,388,301

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

XVII. 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, which serve specific needs and purposes of the school system and the welfare of the students, are funded by special federal and state grants, and are included in the General Fund and the Enterprise Funds. Grant activities are subject to audit by the granting agencies.

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019



Student: Rania Hmem, 5<sup>th</sup> grade

School: Dr. Sally K. Ride Elementary School



# **REQUIRED SUPPLEMENTARY INFORMATION**

Board of Education of Montgomery County  
June 30, 2019



BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 YEAR ENDED JUNE 30, 2019

Fiscal Year Ending	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service Cost	\$ 51,411,385	\$ 50,395,825	\$ 44,436,725	\$ 43,500,877	\$ 53,269,208
Interest	155,248,918	146,658,956	141,159,580	135,814,794	123,895,167
<b>Benefit Changes</b>					
Difference between Actual & Expected, if any	8,963,079	31,406,064		(22,132,062)	(18,234,988)
Assumption Changes		132,086,081			93,368,251
Benefit Payments	(102,247,449)	(95,135,058)	(90,109,676)	(85,230,639)	(81,971,251)
Refund					
Net Change in Total Pension Liability	<u>113,375,933</u>	<u>265,411,868</u>	<u>95,486,629</u>	<u>71,952,970</u>	<u>170,326,387</u>
Total Pension Liability -Beginning	2,242,829,828	1,977,417,960	1,881,931,331	1,809,978,361	1,639,651,974
Total Pension Liability -Ending (a)	<u>\$ 2,356,205,761</u>	<u>\$ 2,242,829,828</u>	<u>\$ 1,977,417,960</u>	<u>\$ 1,881,931,331</u>	<u>\$ 1,809,978,361</u>
<b>Plan Fiduciary Net Position</b>					
Contribution -Employer	88,769,344	79,863,596	65,877,870	74,861,086	83,498,517
Contribution -Employee	24,951,070	24,323,349	23,749,197	22,949,001	22,486,721
Net Investment Income	79,565,869	124,868,624	172,942,114	(3,391,963)	26,441,619
Benefit Payments	(102,247,449)	(95,135,058)	(90,109,676)	(85,230,639)	(81,971,251)
Refund					
Admin Expense	(1,475,279)	(1,209,068)	(1,151,736)	(2,012,071)	(2,217,291)
Other					
Net change in Plan Fiduciary Net Position	<u>89,563,555</u>	<u>132,711,443</u>	<u>171,307,769</u>	<u>7,175,414</u>	<u>48,238,316</u>
Plan Fiduciary Net Position -beginning	1,719,166,654	1,586,455,213	1,415,147,444	1,407,972,029	1,359,733,714
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,808,730,209</u>	<u>\$ 1,719,166,656</u>	<u>\$ 1,586,455,213</u>	<u>\$ 1,415,147,444</u>	<u>\$ 1,407,972,029</u>
Net Pension Liability -Ending (a-b)	547,475,552	523,663,172	390,962,747	466,783,888	402,006,332
<b>Plan Fiduciary Net Position as a Percentage of</b>					
Total Pension Liability	76.76%	76.65%	80.23%	75.20%	77.79%
Covered Payroll	\$ 1,600,129,357	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138
Net Pension Liability as a Percentage of Covered Payroll	34.21%	33.50%	26.62%	32.74%	28.12%
<b>Fiscal Year Ending 2014</b>					
<b>Total Pension Liability</b>					
Service Cost	\$ 53,238,295				
Interest	120,371,102				
<b>Benefit Changes</b>					
Difference between Actual & Expected, if any	(47,593,419)				
Assumption Changes					
Benefit Payments	(76,147,472)				
Refund					
Net Change in Total Pension Liability	<u>49,868,506</u>				
Total Pension Liability -Beginning	1,589,783,468				
Total Pension Liability -Ending (a)	<u>\$ 1,639,651,974</u>				
<b>Plan Fiduciary Net Position</b>					
Contribution -Employer	80,544,815				
Contribution -Employee	21,578,300				
Net Investment Income	179,375,231				
Benefit Payments	(76,147,472)				
Refund					
Admin Expense	(2,163,665)				
Other					
Net change in Plan Fiduciary Net Position	<u>203,187,209</u>				
Plan Fiduciary Net Position -beginning	1,156,546,505				
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,359,733,714</u>				
Net Pension Liability -Ending (a-b)	279,918,260				
<b>Plan Fiduciary Net Position as a Percentage of</b>					
Total Pension Liability	82.93%				
Covered Payroll	\$ 1,390,868,330				
Net Pension Liability as a Percentage of Covered Payroll	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, 2019

FY Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position 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
2019	2,356,205,761	1,808,730,209	547,475,552	76.76	1,600,129,357	34.21

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 YEAR ENDED JUNE 30, 2019

FY Ending June 30	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
2019	73,119,150	88,769,344	(15,650,194)	1,600,129,357	5.55

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Measurement date	30-Jun
Actuarial cost method	Entry Age Normal
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	7.00%
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: RP2000 disabled mortality tables, sex distinct, projected to 2022 using projection scale AA (static table)

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, 2019

Fiscal year ending June 30	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Actual money weighted rate of return, net of investment expense	4.9%	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, 2019

<b>Employees' Retirement and Pension Systems</b>	<b>Fiscal Year Ending</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Board's proportion of the net pension liability (asset)	0.03260980%	0.03042730%	0.03027640%	0.02665060%	0.02295670%
Board's proportionate share of the net pension liability (asset)	\$ 6,842,058	\$ 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%	0.00%
Plan fiduciary net position as of a percentage of the total pension liability	68.36%	66.71%	62.97%	66.26%	69.53%
<b>Teachers' Retirement and Pension Systems</b>					
Board's proportion of the net pension liability (asset)	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%
State's proportionate share of the net pension liability (asset) associated with the Board	\$ 1,618,273,835	\$ 1,757,492,373	\$ 1,871,367,674	\$ 1,522,877,235	\$ 1,115,879,101
Board's covered payroll	1,563,346,475	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	103.51%	119.68%	131.26%	106.51%	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	73.35%	71.41%	67.95%	70.76%	69.53%

Methods and assumptions used to determine contribution rates:

Valuation Date	7/1/2018
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	7.45%
Discount rate	7.45%
Salary increases	3.10% to 9.10%, including wage inflation
Inflation	2.60% general, 3.10% wage
Retirement age	
Mortality rates	Experience-based table of rates that specific to the type of eligibility condition and years of services 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 3.10% to 2.60%

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, 2019

<u>Employees' Retirement and Pension Systems</u>	Fiscal Year Ending				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 650,264	\$ 619,299	\$ 589,809	\$ 561,723	\$ 534,974
Contributions in relation to the contractually required contribution	650,264	619,299	589,809	561,723	534,974
Contribution deficiency (excess)	-	-	-	-	-
<u>Teachers' Retirement and Pension Systems</u>					
Contractually required contribution	\$ 156,986,964	\$ 168,182,560	\$ 157,007,517	\$ 156,997,295	\$ 148,989,559
Contributions in relation to the contractually required contribution	156,986,964	168,182,560	157,007,517	156,997,295	148,989,559
Contribution deficiency (excess)	-	-	-	-	-
Board's covered payroll	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
Contributions as a percentage of covered payroll	10.04%	11.45%	11.01%	10.98%	10.71%

<u>Employees' Retirement and Pension Systems</u>	Fiscal Year Ending				
	2014	2013	2012	2011	2010
Contractually required contribution	\$ 509,499	\$ 485,237	\$ 462,130	\$ 440,124	\$ 419,166
Contributions in relation to the contractually required contribution	509,499	485,237	462,130	440,124	419,166
Contribution deficiency (excess)	-	-	-	-	-
<u>Teachers' Retirement and Pension Systems</u>					
Contractually required contribution	\$ 131,705,430	\$ 173,954,985	\$ 169,926,025	\$ 149,981,157	\$ 124,897,387
Contributions in relation to the contractually required contribution	131,705,430	173,954,985	169,926,025	149,981,157	124,897,387
Contribution deficiency (excess)	-	-	-	-	-
Board's covered payroll	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092
Contributions as a percentage of covered payroll	9.70%	12.96%	13.01%	11.14%	9.24%

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, 2019

Fiscal Year Ending	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 104,162,538	\$ 88,364,530	\$ 125,216,637
Interest	153,797,183	157,630,126	146,230,235
Benefit Changes			
Different between Actual & Expected if any	(73,824,566)	(216,455,378)	
Assumption Changes	169,486,009	203,760,125	(270,838,727)
Benefit Payments, including refunds of employee contributions	(83,877,327)	(72,763,620)	(70,432,337)
Net Change in Total OPEB Liability	<u>269,743,837</u>	<u>160,535,784</u>	<u>(69,824,192)</u>
Total OPEB Liability -Beginning	<u>2,838,086,716</u>	<u>2,677,550,932</u>	<u>2,747,375,124</u>
Total OPEB Liability -Ending (a)	<u>\$ 3,107,830,553</u>	<u>\$ 2,838,086,716</u>	<u>\$ 2,677,550,932</u>
Plan Fiduciary Net Position			
Contribution -Employer	62,667,044	90,580,304	96,333,627
Contribution -Nonemployer entities			
Medicare Part D subsidies	22,561,041	21,197,806	18,725,635
Contributions-member	38,743,969	39,875,875	37,315,988
Net Investment Income	34,845,670	31,492,272	36,233,300
Benefit Payments, including refunds of employee contributions	(122,621,296)	(112,639,495)	(107,748,325)
Admin Expense	(194,702)	(207,208)	(292,732)
Other			
Net change in Plan Fiduciary Net Position	<u>36,001,726</u>	<u>70,299,554</u>	<u>80,567,493</u>
Plan Fiduciary Net Position -beginning	<u>455,655,062</u>	<u>385,355,507</u>	<u>304,788,014</u>
Plan Fiduciary Net Position -Ending (b)	<u>\$ 491,656,788</u>	<u>\$ 455,655,060</u>	<u>\$ 385,355,507</u>
Net OPEB Liability -Ending (a-b)	<u>\$ 2,616,173,765</u>	<u>\$ 2,382,431,656</u>	<u>\$ 2,292,195,425</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	15.82%	16.06%	14.39%
Covered Employee Payroll (c)	\$ 1,600,129,357	\$ 1,563,346,475	\$ 1,546,150,104
Net OPEB Liability as a Percentage of Covered Employee Payroll	163.50%	152.32%	148.25%

Notes to Schedule

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF NET OPEB PLAN LIABILITY  
 YEAR ENDED JUNE 30, 2019

FY Ending June 30	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB	Covered Employee Payroll	Net OPEB Liability as a % of Covered Employee
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	152.32
2019	3,107,830,553	491,656,788	2,616,173,765	15.82	1,600,129,357	163.50

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 EMPLOYER OPEB PLAN CONTRIBUTIONS  
 YEAR ENDED JUNE 30, 2019

FY Ending June 30	Actuarilly Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Employee 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
2019	159,436,200	85,228,085	74,208,115	1,600,129,357	5.33

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2018
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of projected payroll. Increasing 3% per year. Open basis 30 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.
Mortality rates	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: RP-2000 disabled mortality table, sex distinct, projected to 2022 using projection scale AA (static table)
Health Care Trend Rates	Trend rates of 10.% for RX, 8.0% for medical, decreasing to an ultimate trend rate of 4.50%, 4.50% dental trend rate, 3.50% vision trend rate.

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

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, 2019

<b>Fiscal year ending June 30</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Actual money weighted rate of return, net of investment expense	8.26%	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, 2019

## **GOVERNMENTAL FUNDS**

June 30, 2019

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Montgomery County	\$ 715,690,210	\$ 728,190,210	\$ 257,743,942	\$ (470,446,268)
State of Maryland	74,335,440	74,938,440	55,071,425	(19,867,015)
Federal	85,457	1,473,779	805,121	(668,658)
Other sources	<u>6,665,053</u>	<u>6,665,053</u>	<u>3,244,214</u>	<u>(3,420,839)</u>
<b>Total revenues</b>	<b>796,776,160</b>	<b>811,267,482</b>	<b>316,864,702</b>	<b>(494,402,780)</b>
<b>Expenditures and encumbrances:</b>				
Capital outlay	<u>796,776,160</u>	<u>811,267,482</u>	<u>316,864,702</u>	<u>494,402,780</u>
<b>Total expenditures and encumbrances</b>	<b><u>796,776,160</u></b>	<b><u>811,267,482</u></b>	<b><u>316,864,702</u></b>	<b><u>494,402,780</u></b>
<b>Excess of revenues over expenditures and encumbrances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation to GAAP fund balance:</b>				
2019 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, 2019

Award Number	Project Name	Project Authorization	Expended to Jun 30, 2019	Committed	Available for Future Expenditure
000000	Unliquidated Surplus for Local Funds	\$ 2,103,138	\$ -	\$ -	2,103,138
006503	Water and Indoor Air Quality Improvements	189,787	72,000	116,051	1,736
016532	Fire Safety Code Upgrades Local Funding	5,218,942	2,261,579	848,780	2,108,584
036510	Technology Modernization Local Funding	8,804,265		131,555	8,672,710
056501	Restroom Renovations Local Funding	3,833,820	154,519	1,157,512	2,521,788
076506	Building Modifications and Program Improvements	17,177,976	7,721,278	4,822,561	4,634,137
096501	Fairland Elementary School Local Funding	6,258,848	6,258,848		
096505	Montgomery Knolls Elementary School Local	4,163,292	4,163,292		
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	8,496,551	427,630	2,898,820
116506	Clarksburg/Damascus Middle School (New)	52,764,000	47,942,453		4,821,547
116510	Viers Mill Elementary School Addition 2013	11,172,865	11,154,498		18,367
116513	Wyngate Elementary School Addition 2013	7,346,823	7,277,596	69,227	
136500	Arcola Elementary School Local Funding	3,841,000	3,679,004		161,996
136502	Bethesda-Chevy Chase Middle School #2 2017	54,114,000	54,209,601		(95,601)
136504	North Chevy Chase Elementary School Local Funding	4,759,295	4,759,295		
136505	Northwest Elementary School #8 (New) 2018	2,979,000			2,979,000
136507	Julius West Middle School Addition 2016	15,303,000	15,302,131		869
136508	Wood Acres ES Addition - State Funding	5,969,000	5,967,619		1,381
136510	Modifications to Holding, Special Education & 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	20,370,057	211,364	1,011,578
651504	Lucy V Barnsley ES Addition 2018	13,924,000	13,703,381	(67,116)	287,735
651505	Kensington-Parkwood ES Addition 2018	12,679,000	9,966,815	(152,163)	2,864,347
651510	Diamond Elementary School Addition 2018	9,147,000	7,716,187	7,043	1,423,770
651513	Bethesda-Chevy Chase HS Addition 2018	41,397,000	39,150,127	102,883	2,143,990
651515	Blair Ewing Center Improvements 2018	1,512,000	144,172		1,367,828
746032	Design and Construction Management	1,547,764		45,097	1,502,667
766995	Roof Replacement	38,972,189	19,569,460	8,650,465	10,752,264
796222	Energy Conservation	1,553,053	700,000	184,655	668,398
796235	ADA Compliance Local Funding	12,845,764	5,670,968	136,320	7,038,476
816633	HVAC Replacement	93,595,954	67,871,548	11,863,563	13,860,842
816695	Asbestos Abatement Local Funding	182,191		13,306	168,884
846540	Relocatable Classrooms Local Funding	3,320,592		2,394,458	926,135
876544	Stadium Lighting	234,378		25,653	208,725
896586	Planned Life Cycle Asset Replacement	12,949,858	9,748,468	3,520,703	(319,314)
916587	Rehab/Renovation of Closed Schools	62,441,911	61,984,998		456,913
926557	School Security Systems	1,169,991		197,493	972,498
926575	Current Replacements/Modernizations	1,002,814,503	754,681,883	195,836,022	52,296,599 *
956550	Stormwater Management	797,205	516,507		280,697
966553	Facility Planning Local Funding	1,691,688		397,015	1,294,672
975051	Improved (Safe) Access to Schools	6,721,631	5,652,447	64,381	1,004,803
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	5,443,365	5,062,386		380,979
651502	S. Christa McAuliffe ES Addition 2019	11,386,000	8,214,719	1,625,699	1,545,583
651507	Judith Resnick ES Addition 2020	871,000			871,000
651511	Brutonville ES Addition 2020	1,172,000			1,172,000
651514	Ashburton ES Addition 2019	10,944,000	8,194,136	97,061	2,652,803
651518	Gaithersburg ES Addition 2020	3,689,301	191,739	28,714	3,468,848
651705	Thomas W. Pyle MS Addition 2020	24,014,000	11,995,862	9,888,431	2,129,707
651706	Takoma Park MS Addition 2020	24,262,000	2,255,689	18,830,036	3,176,275
651708	Pine Crest ES Addition 2020	8,375,000	1,020,189	6,976,257	378,554
651709	Montgomery Knolls ES Addition 2020	6,327,000	1,055,806	3,409,302	1,861,892
651713	Clarksburg Cluster-Village Site #2 - State	28,912,393	21,869,077	2,585,363	4,457,952
116503	Bradley Hills Elementary School Addition 2013	17,944,148	17,944,148		
116508	Georgian Forest ES Addition - State Funding	1,197,000	1,197,000		
116509	Somerset Elementary School Addition 2011	1,475,114	1,325,113		150,001
651704	Walt Whitman High School Addition 2021	5,771,000	1,769,511	1,310,541	2,690,948
651801	Outdoor Play Maintenance 2018	1,933,609	1,723,769	146,499	63,341 *
016505	Thomas W Pyle Middle School State Funding	5,057,867	5,057,867		
016519	Redland Middle School State Funding	9,753,415	9,749,865		3,550
026501	Farmland Elementary School Local Funding	4,380,157	4,380,157		
026503	Seven Locks Elementary School Addition/Modernization Local Funding	10,661,867	10,642,699		19,167
036502	Gaithersburg High School Addition State Funding	7,649,934	7,649,934		
036504	Great Seneca Creek Elementary School (Northwest Area ES #7) State Funding	12,718,917	12,718,917		
056503	Wm. T. Gibbs Elementary School Local Funding ( Clarksburg #8)	14,931,390	14,931,390		
056504	Fields Road Elementary School Addition Local Funding	6,994,200	6,994,200		
086500	East Silver Spring ES Addition State Funding	11,369,671	11,369,671		
096500	Brookhaven Elementary School Local Funding	5,654,103	5,469,001		185,102
096504	Jackson Road Elementary School Local Funding	5,503,073	5,503,073		
651703	Woodlin Elementary School Addition 2022	1,167,000			1,167,000
651707	Piney Branch ES Addition 2021	493,000			493,000
651714	East Silver Spring ES Addition 2022	320,000			320,000
651905	DuFief ES Addition/Facility Upgrade 2022	2,910,000			2,910,000
651906	John F Kennedy HS Addition 2022	3,875,000	8,520	1,127,025	2,739,455
651907	Northwood HS Addition/Upgrades	9,873,000	27,750		9,845,250
651908	Charles W. Woodward HS Re-Opening	35,245,000	617,434	5,796,611	28,830,955
651910	Col E Brooke Lee MS Addition/Upgrade 2021	3,921,000	1,024,235	1,532,267	1,364,498
651912	Silver Spring International MS Addition 2022	3,010,000	379,976	1,561,800	1,068,224
Total Open & Interim Projects		1,895,373,358	1,400,351,001	285,920,062	209,102,295
Capitalized land, equipment, furniture, & items not capitalized		(44,107,086)	(44,107,086)		
Interim closing of open projects **		(1,109,460,399)	(1,109,460,399)		
Total construction in progress		\$ 741,805,873	\$ 246,783,516	\$ 285,920,062	\$ 209,102,295

\* 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, 2019.

\*\* 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, 2019

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,789,941	\$ 1,789,941	\$ 1,789,941	\$ -
Total revenues	-	1,789,941	1,789,941	1,789,941	-
Expenditures and encumbrances:					
Community services	30,900	1,820,841	1,820,841	1,740,127	80,714
Total expenditures and encumbrances	30,900	1,820,841	1,820,841	1,740,127	80,714
Excess of expenditures and encumbrances over revenues	(30,900)	(30,900)	(30,900)	49,814	80,714
Fund balance - beginning	30,900	30,900	30,900	328,504	297,604
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 378,318	<u>\$ 378,318</u>
Reconciliation to GAAP fund balance:					
2019 encumbrances outstanding				16,922	
Fund balance - GAAP basis				<u>\$ 395,240</u>	

## **NONMAJOR ENTERPRISE FUNDS**

June 30, 2019

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.



BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2019

	Real Estate Management	Field Trip	Total Nonmajor Enterprise Funds
<b>Assets</b>			
Current assets:			
Equity in pooled cash and investments	\$ 464,055	\$ 140,117	\$ 604,172
Accounts receivable	259,235	211,833	471,068
Due from other funds	42,790	64,864	107,654
Total current assets	<u>766,080</u>	<u>416,814</u>	<u>1,182,894</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	155,021		155,021
Due to other funds	52,730	3,698	56,428
Total current liabilities	<u>207,751</u>	<u>3,698</u>	<u>211,449</u>
Noncurrent liabilities:			
Compensated absences	51,224	123,687	174,911
Total noncurrent liabilities	<u>51,224</u>	<u>123,687</u>	<u>174,911</u>
Total liabilities	<u>258,975</u>	<u>127,385</u>	<u>386,360</u>
<b>Net Position</b>			
Net investment in capital assets			
Unrestricted	507,105	289,429	796,534
Total net position	<u>\$ 507,105</u>	<u>\$ 289,429</u>	<u>\$ 796,534</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, 2019

	Real Estate Management	Field Trip	Total Nonmajor Enterprise Funds
Operating revenues:			
Rent and fees	\$ 3,327,588	\$ 2,175,575	\$ 5,503,163
Total operating revenues	<u>3,327,588</u>	<u>2,175,575</u>	<u>5,503,163</u>
Operating expenses:			
Salaries and wages	520,582	1,450,909	1,971,491
Contracted services	226,586	102,216	328,802
Supplies and materials	20,985	572,533	593,518
Other charges	2,882,958	182,928	3,065,886
Total operating expenses	<u>3,651,111</u>	<u>2,308,586</u>	<u>5,959,697</u>
Operating loss	<u>(323,523)</u>	<u>(133,011)</u>	<u>(456,534)</u>
Change in net position	(323,523)	(133,011)	(456,534)
Total net position - beginning	830,628	422,440	1,253,068
Total net position - ending	<u>\$ 507,105</u>	<u>\$ 289,429</u>	<u>\$ 796,534</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Real Estate Management	Field Trip	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 3,361,619	\$ 2,104,706	\$ 5,466,325
Payments to suppliers	(247,247)	(674,749)	(921,996)
Payments to employees	(550,827)	(1,551,060)	(2,101,887)
Payments for assessments made by other funds	(163,280)	(77,992)	(241,272)
Payments for other operating expenses	(2,679,027)		(2,679,027)
Net cash used by operating activities	<u>(278,762)</u>	<u>(199,095)</u>	<u>(477,857)</u>
Decrease in cash and cash equivalents	(278,762)	(199,095)	(477,857)
Cash and cash equivalents - beginning	742,817	339,212	1,082,029
Cash and cash equivalents - ending	<u>\$ 464,055</u>	<u>\$ 140,117</u>	<u>\$ 604,172</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating income loss	\$ (323,523)	\$ (133,011)	(456,534)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Effects of changes in operating assets and liabilities:			
Receivables	34,031	(70,869)	(36,838)
Accounts payable	(4,338)		(4,338)
Due to other funds	4,662		4,662
Compensated absences	10,406	4,785	15,191
Net cash provided used by operating activities	<u>\$ (278,762)</u>	<u>\$ (199,095)</u>	<u>\$ (477,857)</u>

# FIDUCIARY FUNDS

June 30, 2019

## 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, 2019

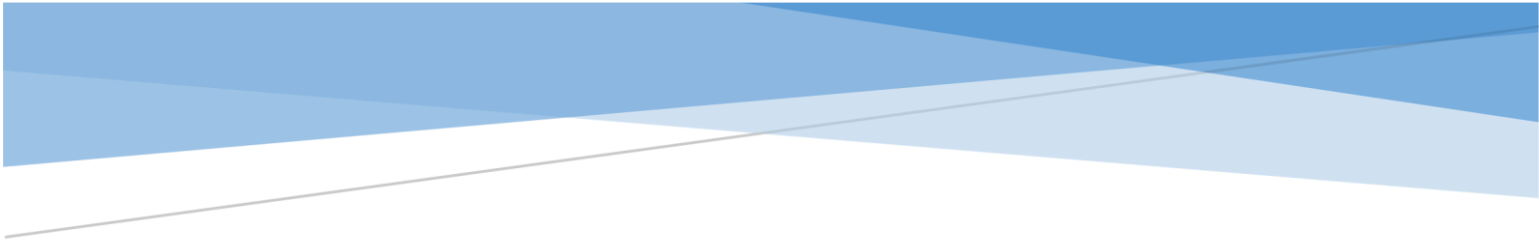
	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
<b>ASSETS</b>			
Investments:			
Global equities	\$ 1,075,131,406	\$ -	\$ 1,075,131,406
Fixed income securities	443,924,128		443,924,128
Real estate	91,445,163		91,445,163
Alternative investments	168,405,422		168,405,422
Short-term investments/CRHBT	<u>30,821,215</u>	<u>465,072,874</u>	<u>495,894,089</u>
Total investments	1,809,727,334	465,072,874	2,274,800,208
Accounts receivable		1,503,994	1,503,994
Due from Internal Service Fund		28,254,158	28,254,158
Due from General Fund		<u>4,921,011</u>	<u>4,921,011</u>
Total assets	1,809,727,334	499,752,037	2,309,479,371
<b>LIABILITIES</b>			
Due to General Fund	997,125		997,125
Accounts payable		677,506	677,506
Claims payable		<u>7,416,439</u>	<u>7,416,439</u>
Total liabilities	<u>997,125</u>	<u>8,093,945</u>	<u>9,091,070</u>
<b>NET POSITION</b>			
Restricted for pension and other postemployment benefits	<u>\$ 1,808,730,209</u>	<u>\$ 491,658,092</u>	<u>\$ 2,300,388,301</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, 2019

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 88,769,344	\$ 62,667,044	\$ 151,436,388
Members	24,951,070	38,743,969	63,695,039
Federal government - Medicare Part D	22,561,041	22,561,041	22,561,041
Total contributions	<u>113,720,414</u>	<u>123,972,054</u>	<u>237,692,468</u>
Investment earnings:			
Net increase in fair value of investments	76,417,401		76,417,401
Interest and dividends	10,272,238	34,845,670	45,117,908
Total investment income	<u>86,689,639</u>	<u>34,845,670</u>	<u>121,535,309</u>
Less investment expense:			
Investment fees and other	(7,123,770)		(7,123,770)
Total investment expense	<u>(7,123,770)</u>	<u>-</u>	<u>(7,123,770)</u>
Net investment earnings	<u>79,565,869</u>	<u>34,845,670</u>	<u>114,411,539</u>
Total additions	<u>193,286,283</u>	<u>158,817,724</u>	<u>352,104,007</u>
<b>DEDUCTIONS</b>			
Benefits paid to plan members	102,247,449	104,305,170	206,552,619
Premiums paid to insurance companies		18,314,822	18,314,822
Administrative expenses	1,475,279	194,702	1,669,981
Total deductions	<u>103,722,728</u>	<u>122,814,694</u>	<u>226,537,422</u>
Change in net position	89,563,555	36,003,030	125,566,585
Net position - beginning	<u>1,719,166,654</u>	<u>455,655,062</u>	<u>2,174,821,716</u>
Net position - ending	<u>\$ 1,808,730,209</u>	<u>\$ 491,658,092</u>	<u>\$ 2,300,388,301</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<b>Assets</b>				
Cash and investments	\$ 15,755,912	\$ 32,934,852	\$ 33,577,849	\$ 15,112,915
Accounts receivable	1,846,798	1,787,185	1,846,798	1,787,185
Inventories	<u>163,164</u>	<u>125,070</u>	<u>163,164</u>	<u>125,070</u>
Total assets	<u>\$ 17,765,874</u>	<u>\$ 34,847,107</u>	<u>\$ 35,587,811</u>	<u>\$ 17,025,170</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,594,706	\$ 1,645,717	\$ 1,594,706	\$ 1,645,717
Due to student groups	<u>16,171,168</u>	<u>33,201,390</u>	<u>33,993,105</u>	<u>15,379,453</u>
Total liabilities	<u>\$ 17,765,874</u>	<u>\$ 34,847,107</u>	<u>\$ 35,587,811</u>	<u>\$ 17,025,170</u>



# STATISTICAL SECTION

Board of Education of Montgomery County  
June 30, 2019



# STATISTICAL SECTION

## Table of Contents

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.

	<b>Page</b>
<b>Financial Trends</b>	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.	
<b>Revenue Capacity</b>	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.	
<b>Debt Capacity</b>	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 Montgomery County.	
<b>Demographic and Economic Information</b>	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.	
<b>Operating Information</b>	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				
	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>					
Net Investment in capital assets	\$ 1,972,419,863	\$ 2,073,974,398	\$ 2,234,805,426	\$ 2,377,418,879	\$ 2,467,557,443
Restricted for Instructional TV, Expendable					
Unrestricted	(303,827,808)	(367,057,361)	(446,600,594)	(487,587,959)	(574,669,171)
Total governmental activities net position	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>	<u>\$ 1,788,204,832</u>	<u>\$ 1,889,830,920</u>	<u>\$ 1,892,888,272</u>
<b>Business-type activities:</b>					
Net Investment in capital assets	\$ 3,951,552	\$ 3,759,753	\$ 3,570,524	\$ 3,105,386	\$ 4,936,206
Unrestricted	(7,848,406)	(7,483,923)	(6,792,149)	(7,068,728)	(7,848,538)
Total business-type activities net position	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>	<u>\$ (3,221,625)</u>	<u>\$ (3,963,342)</u>	<u>\$ (2,912,332)</u>
<b>Primary government:</b>					
Net Investment in capital assets	\$ 1,976,371,415	\$ 2,077,734,151	\$ 2,238,375,950	\$ 2,380,524,265	\$ 2,472,493,649
Restricted for Instructional TV, Expendable					
Unrestricted	(311,676,214)	(374,541,284)	(453,392,743)	(494,656,687)	(582,517,709)
Total primary government net position	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>	<u>\$ 1,784,983,207</u>	<u>\$ 1,885,867,577</u>	<u>\$ 1,889,975,940</u>

	Fiscal Year				
	2015	2016	2017	2018	2019
<b>Governmental Activities:</b>					
Net Investment in capital assets	\$ 2,545,451,592	\$ 2,639,420,067	\$ 2,749,974,181	\$ 2,884,728,055	\$ 3,047,409,607
Restricted for Instructional TV, Expendable			280,688	328,504	395,240
Unrestricted	(961,916,071)	(999,244,078)	(1,024,990,225)	(2,824,799,646)	(2,906,632,993)
Total governmental activities net position	<u>\$ 1,583,535,521</u>	<u>\$ 1,640,175,989</u>	<u>\$ 1,725,264,644</u>	<u>\$ 60,256,913</u>	<u>\$ 141,171,854</u>
<b>Business-type activities:</b>					
Net Investment in capital assets	\$ 5,195,791	\$ 4,439,974	\$ 5,476,647	\$ 6,625,622	\$ 6,447,680
Unrestricted	(7,337,109)	(5,288,323)	(1,101,387)	12,052,586	13,236,716
Total business-type activities net position	<u>\$ (2,141,318)</u>	<u>\$ (848,349)</u>	<u>\$ 4,375,260</u>	<u>\$ 18,678,208</u>	<u>\$ 19,684,396</u>
<b>Primary government:</b>					
Net Investment in capital assets	\$ 2,550,647,383	\$ 2,643,860,041	\$ 2,755,450,828	\$ 2,891,353,677	\$ 3,053,857,287
Restricted for Instructional TV, Expendable *			280,688	328,504	395,240
Unrestricted	(969,253,180)	(1,004,532,401)	(1,026,091,612)	(2,812,747,060)	(2,893,396,277)
Total primary government net position	<u>\$ 1,581,394,203</u>	<u>\$ 1,639,327,640</u>	<u>\$ 1,729,639,904</u>	<u>\$ 78,935,121</u>	<u>\$ 160,856,250</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			
	2010	2011	2012	2013
<b>Expenses</b>				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,382,022,729	\$ 1,395,636,699	\$ 1,401,069,607	\$ 1,425,776,788
Special education	382,151,880	381,185,135	392,865,396	398,480,390
School administration	195,915,953	198,448,243	202,692,468	204,795,867
Student personnel services	16,590,455	15,726,065	16,251,838	15,992,374
Health services	40,091	17,919	17,911	20,074
Total instruction	<u>1,976,721,108</u>	<u>1,991,014,061</u>	<u>2,012,897,220</u>	<u>2,045,065,493</u>
Support services:				
Student transportation	125,139,197	126,428,398	129,115,379	129,890,569
Operation of plant	153,349,143	149,740,270	147,289,980	150,099,667
Maintenance of plant	59,180,621	60,799,687	64,129,559	69,624,065
Administration	60,891,077	58,701,766	57,291,531	58,481,042
Community services	2,291,223	2,129,034	2,090,179	2,548,923
Interest on capital leases	1,750,321	1,197,169	897,345	801,273
Total support services	<u>402,601,582</u>	<u>398,996,324</u>	<u>400,813,973</u>	<u>411,445,539</u>
Total governmental activities expenses	<u>2,379,322,690</u>	<u>2,390,010,385</u>	<u>2,413,711,193</u>	<u>2,456,511,032</u>
Business-type activities				
Food services	45,687,584	48,218,118	49,720,564	51,249,507
Real estate management	2,591,862	3,055,284	3,220,047	3,039,558
Field trips	1,697,423	1,751,109	1,770,547	1,664,949
Entrepreneurial activities	2,001,442	2,031,272	1,983,788	2,604,177
Total business-type activities expenses	<u>51,978,311</u>	<u>55,055,783</u>	<u>56,694,946</u>	<u>58,558,191</u>
Total primary government expenses	<u>\$ 2,431,301,001</u>	<u>\$ 2,445,066,168</u>	<u>\$ 2,470,406,139</u>	<u>\$ 2,515,069,223</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services	\$ 4,616,997	\$ 4,111,198	\$ 3,820,871	\$ 3,871,684
Operating grants and contributions	126,099,052	112,581,279	83,474,771	77,994,243
Capital grants and contributions	44,257,276	54,258,286	59,387,969	67,644,476
Total governmental activities program revenues	<u>174,973,325</u>	<u>170,950,763</u>	<u>146,683,611</u>	<u>149,510,403</u>
Business-type activities				
Charges for services:				
Food services	18,621,337	18,577,749	19,252,693	17,907,925
Real estate management	2,667,604	2,812,240	2,892,122	3,026,997
Field trips	1,543,871	1,671,121	1,778,378	1,735,962
Entrepreneurial activities	1,849,158	3,633,389	2,186,618	2,235,250
Operating grants and contributions	24,871,047	27,800,835	30,590,480	32,844,833
Capital grants and contributions	641,790	696,950	464,308	30,898
Total business-type activities program revenues	<u>50,194,807</u>	<u>55,192,284</u>	<u>57,164,599</u>	<u>57,781,865</u>
Total primary government program revenues	<u>\$ 225,168,132</u>	<u>\$ 226,143,047</u>	<u>\$ 203,848,210</u>	<u>\$ 207,292,268</u>
Net (expense)/revenue				
Governmental activities	(2,204,349,365)	(2,219,059,622)	(2,267,027,582)	(2,307,000,628)
Business-type activities	(1,783,504)	136,501	469,653	(776,326)
	<u>(2,206,132,869)</u>	<u>(2,218,923,121)</u>	<u>(2,266,557,929)</u>	<u>(2,307,776,955)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,550,665,251	\$ 1,553,166,556	\$ 1,581,675,500	\$ 1,633,828,866
State of Maryland	616,478,426	668,581,752	761,695,928	771,174,249
Federal government	6,454,228	35,268,390	4,414,871	2,758,250
Other income	985,888	367,906	526,078	865,352
Total government activities	<u>2,174,583,793</u>	<u>2,257,384,604</u>	<u>2,348,312,377</u>	<u>2,408,626,717</u>
Business-type activities				
Other income	70,501	36,183	32,892	34,609
Total business-type activities	<u>70,501</u>	<u>36,183</u>	<u>32,892</u>	<u>34,609</u>
Total primary government	<u>\$ 2,174,654,294</u>	<u>\$ 2,257,420,787</u>	<u>\$ 2,348,345,269</u>	<u>\$ 2,408,661,326</u>
<b>Change in Net Position</b>				
Governmental activities	\$ (29,765,572)	\$ 38,324,982	\$ 81,284,795	\$ 101,626,088
Business-type activities	(1,713,003)	172,684	502,545	(741,717)
Total primary government	<u>\$ (31,478,575)</u>	<u>\$ 38,497,666</u>	<u>\$ 81,787,340</u>	<u>\$ 100,884,371</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.

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 1,510,082,837	\$ 1,507,192,601	\$ 1,509,093,578	\$ 1,633,033,361	\$ 1,616,010,500	\$ 1,762,655,649	
436,204,642	433,278,196	456,783,996	468,463,510	472,508,294	481,466,470	
210,172,216	203,472,513	207,845,076	217,940,076	212,525,992	213,469,890	
16,496,795	16,623,187	17,050,375	17,126,556	16,988,187	17,752,918	
17,336	1,594	836	1,577	1,411	1,590	
2,172,973,826	2,160,568,091	2,190,773,861	2,336,565,080	2,318,034,384	2,475,346,517	
136,415,463	134,999,834	138,795,597	140,687,102	140,237,799	144,323,992	
158,947,644	169,601,304	169,976,798	170,791,707	172,434,134	179,743,650	
76,505,617	69,525,061	69,797,436	71,483,269	74,579,051	79,162,111	
59,544,537	64,351,553	60,021,749	64,961,620	68,058,928	71,790,674	
3,103,601	3,168,196	3,095,853	3,200,420	3,220,575	3,198,429	
745,756	784,439	1,086,674	1,028,146	1,183,963	1,469,981	
435,262,618	442,430,387	442,774,107	452,152,264	459,714,450	479,688,837	
2,608,236,444	2,602,998,478	2,633,547,968	2,788,717,344	2,777,748,834	2,955,035,354	
52,926,067	54,353,613	56,469,606	58,125,752	57,733,700	60,564,324	
2,845,571	3,385,485	3,251,364	3,226,308	3,360,543	3,651,111	
1,803,944	1,895,960	1,991,456	2,006,344	2,196,677	2,308,586	
2,356,182	2,466,024	2,504,873	3,875,067	8,766,263	13,264,774	
59,931,764	62,101,082	64,217,299	67,233,471	72,057,183	79,788,795	
\$ 2,668,168,208	\$ 2,665,099,560	\$ 2,697,765,267	\$ 2,855,950,815	\$ 2,849,806,017	\$ 3,034,824,149	
\$ 3,848,232	\$ 3,804,324	\$ 4,001,803	\$ 4,146,827	\$ 3,358,232	\$ 3,407,477	
79,196,930	80,147,449	78,289,593	76,400,678	84,092,926	86,548,240	
59,687,504	78,396,597	54,561,101	72,592,518	70,241,200	62,851,159	
142,732,666	162,348,370	136,852,497	153,140,023	157,692,358	152,806,876	
16,631,652	16,303,287	16,119,711	17,148,111	17,476,818	17,896,527	
2,744,862	3,277,410	3,536,447	3,194,139	3,536,111	3,327,588	
1,786,478	2,003,127	2,184,988	2,053,978	2,148,783	2,175,575	
1,974,638	2,205,227	2,226,617	4,040,576	8,857,581	12,856,424	
35,934,919	38,684,559	41,326,131	44,102,198	44,052,643	43,620,377	
1,877,408	381,764	104,574	1,909,310	1,509,107	897,719	
60,949,957	62,855,374	65,498,468	72,448,312	77,581,043	80,774,211	
\$ 203,682,623	\$ 225,203,744	\$ 202,350,965	\$ 225,588,335	\$ 235,273,401	\$ 233,581,087	
(2,465,503,778)	(2,440,650,108)	(2,496,695,471)	(2,635,577,321)	(2,620,056,476)	(2,802,228,478)	
1,018,193	754,292	1,281,169	5,214,840	5,523,860	985,415	
(2,464,485,585)	(2,439,895,816)	(2,495,414,302)	(2,630,362,480)	(2,614,532,616)	(2,801,243,063)	
\$ 1,672,780,820	\$ 1,672,029,373	\$ 1,699,998,943	\$ 1,829,282,694	\$ 1,873,380,768	\$ 1,934,769,763	
792,450,552	810,716,731	829,182,141	871,366,816	892,225,277	916,115,657	
1,930,243	7,387,393	15,914,171	19,672,201	21,302,600	23,015,752	
1,399,515	460,704	8,240,684	344,265	14,687,987	9,242,247	
2,468,561,130	2,490,594,201	2,553,335,939	2,720,665,976	2,801,596,632	2,883,143,419	
32,817	16,722	11,800	8,768	9,358	20,773	
32,817	16,722	11,800	8,768	9,358	20,773	
\$ 2,468,593,947	\$ 2,490,610,923	\$ 2,553,347,739	\$ 2,720,674,744	\$ 2,801,605,990	\$ 2,883,164,192	
\$ 3,057,352	\$ 49,944,093	\$ 56,640,468	\$ 85,088,655	\$ 181,540,156	\$ 80,914,941	
1,051,010	771,014	1,292,969	5,223,609	5,533,218	1,006,188	
\$ 4,108,362	\$ 50,715,107	\$ 57,933,437	\$ 90,312,264	\$ 187,073,374	\$ 81,921,129	



Student: Gavin Chung, 4<sup>th</sup> grade  
School: Wilson Wims Elementary School

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

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund:					
Nonspendable	\$ 7,221,461	\$ 6,567,714	\$ 7,310,053	\$ 7,745,654	\$ 7,952,232
Assigned	6,104,012	6,370,994	7,069,165	5,478,166	2,510,534
Unassigned	206,026	16,999,947	28,660,135	36,068,895	25,709,467
Total general fund	<u>\$ 13,531,499</u>	<u>\$ 29,938,655</u>	<u>\$ 43,039,353</u>	<u>\$ 49,292,715</u>	<u>\$ 36,172,233</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 265,873	\$ 279,707	\$ 287,268	\$ 365,128	\$ 304,595
Total all other governmental funds	<u>\$ 265,873</u>	<u>\$ 279,707</u>	<u>\$ 287,268</u>	<u>\$ 365,128</u>	<u>\$ 304,595</u>

	Fiscal Year				
	2015	2016	2017	2018	2019
General Fund:					
Nonspendable	\$ 7,456,908	\$ 7,781,042	\$ 7,850,918	\$ 8,264,483	\$ 5,931,432
Assigned	2,758,823	3,615,674	8,262,452	14,765,257	49,137,024
Unassigned	24,048,758	21,926,344	12,217,790	17,068,844	262,260
Total general fund	<u>\$ 34,264,489</u>	<u>\$ 33,323,060</u>	<u>\$ 28,331,160</u>	<u>\$ 40,098,584</u>	<u>\$ 55,330,716</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 265,417	\$ 265,286	\$ 280,688	\$ 328,504	\$ 395,240
Total all other governmental funds	<u>\$ 265,417</u>	<u>\$ 265,286</u>	<u>\$ 280,688</u>	<u>\$ 328,504</u>	<u>\$ 395,240</u>

Information for fiscal year 2010 has 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)

	Fiscal Year			
	2010	2011	2012	2013
<b>Revenues</b>				
Intergovernmental:				
Montgomery County	\$ 1,593,469,961	\$ 1,598,298,058	\$ 1,634,325,263	\$ 1,697,311,813
State of Maryland	619,385,100	672,165,098	765,912,232	776,187,259
Federal Government	127,230,073	146,479,166	88,309,979	77,668,057
Other	8,107,202	6,936,945	6,448,515	6,501,793
Total Revenue	<u>2,348,192,336</u>	<u>2,423,879,267</u>	<u>2,494,995,989</u>	<u>2,557,668,922</u>
<b>Expenditures</b>				
Current:				
Administration	\$ 39,543,392	\$ 36,954,635	\$ 35,931,627	\$ 38,361,432
Mid-level administration	133,865,561	135,139,216	132,955,672	135,537,267
Instructional salaries and wages	851,338,027	824,315,364	806,181,103	831,267,986
Instructional textbooks and supplies	26,674,306	21,939,573	24,407,914	24,850,483
Other instructional costs	11,456,405	11,571,972	13,588,680	13,409,988
Special education	273,368,914	271,395,047	270,775,788	275,623,730
Student personnel services	11,289,494	10,680,737	10,649,399	10,572,269
Health services	38,695	16,267	16,908	18,994
Student transportation	87,252,913	94,135,828	95,559,434	95,911,020
Operation of plant	115,639,206	113,952,839	111,067,453	112,560,889
Maintenance of plant	34,612,073	33,013,662	31,575,617	33,286,341
Fixed charges	596,364,990	636,600,510	666,817,831	705,727,831
Community services	1,756,954	1,608,047	1,519,629	1,888,449
Debt service:				
Capital lease principal	20,178,442	19,024,733	18,844,888	19,394,211
Capital lease interest	1,750,321	1,197,169	897,345	801,273
Capital outlay	178,597,204	213,558,453	286,212,343	280,935,624
Total expenditures	<u>2,383,726,897</u>	<u>2,425,104,052</u>	<u>2,507,001,631</u>	<u>2,580,147,787</u>
Excess (deficiency) of Revenues over expenditures	(35,534,561)	(1,224,785)	(12,005,642)	(22,478,865)
<b>Other financing sources</b>				
Capital lease financing	\$ 6,125,021	\$ 17,645,775	\$ 25,113,901	\$ 28,810,087
Total other financing sources	<u>6,125,021</u>	<u>17,645,775</u>	<u>25,113,901</u>	<u>28,810,087</u>
Net change in fund balances	<u>\$ (29,409,540)</u>	<u>\$ 16,420,990</u>	<u>\$ 13,108,259</u>	<u>\$ 6,331,222</u>
Debt service as a percentage of noncapital expenditures	1.0%	0.9%	0.9%	0.9%

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 1,722,421,710	\$ 1,746,734,700	\$ 1,751,827,765	\$ 1,899,983,488	\$ 1,942,980,004	\$ 1,993,589,587
802,146,773	818,487,290	832,480,205	873,853,069	896,240,261	923,873,624
79,111,667	81,162,630	91,387,696	93,191,282	99,806,421	103,621,276
7,613,644	6,557,953	7,979,169	6,778,158	6,877,603	10,968,607
<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>	<u>3,032,053,094</u>
\$ 37,180,315	\$ 43,121,059	\$ 38,137,108	\$ 43,005,135	\$ 46,373,276	\$ 50,821,017
136,161,260	136,742,143	138,754,954	145,298,770	146,059,390	148,254,887
862,096,690	887,923,350	903,658,977	957,765,591	978,816,045	995,917,614
23,239,502	23,110,188	20,622,147	26,389,897	23,469,595	29,862,590
13,676,632	10,131,255	9,246,817	11,324,064	13,457,116	18,711,018
291,929,538	298,528,876	313,795,044	321,502,025	333,569,547	342,604,008
10,682,855	11,185,874	11,392,324	11,396,245	11,683,385	12,374,569
16,388	1,594	836	1,577	1,411	1,590
101,036,031	102,233,482	103,885,365	105,176,130	106,938,152	110,784,402
118,604,859	127,576,145	126,557,151	130,631,994	135,115,367	141,668,968
33,947,985	31,557,851	35,772,435	34,661,021	36,696,411	41,193,843
758,138,841	759,060,741	750,150,331	819,971,483	813,415,347	807,858,788
2,281,607	2,436,418	2,291,995	2,358,835	2,478,259	2,427,511
21,691,477	28,238,622	28,223,640	30,098,676	30,934,266	28,850,815
745,756	784,439	1,086,674	1,028,145	1,183,963	1,469,981
237,654,916	234,711,185	223,192,574	269,116,996	285,128,443	317,123,509
<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>	<u>3,049,925,110</u>
(37,790,858)	(44,400,649)	(23,093,537)	(35,920,587)	(19,415,684)	(17,872,016)
\$ 24,609,843	\$ 42,453,727	\$ 22,151,977	\$ 30,944,089	\$ 31,230,924	\$ 33,170,884
<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>	<u>33,170,884</u>
\$ (13,181,015)	\$ (1,946,922)	\$ (941,560)	\$ (4,976,498)	\$ 11,815,240	\$ 15,298,868
0.9%	1.2%	1.2%	1.2%	1.2%	1.1%



BOARD OF EDUCATION OF MONTGOMERY COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND  
YEAR ENDED JUNE 30, 2018\*

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Operating Revenues:		
Contributions by other agencies	\$	47,807,687
Contributions by the Board of Education		18,822,309
Total operating revenue		<u>66,629,996</u>
Operating Expenses:		
Self-insurance losses, net of recoveries		61,456,056
Other costs at risk		7,592,810
Commercial insurance		4,677,244
Other operating expenses		4,394,554
Total operating expenses		<u>78,120,664</u>
Operating Gain (Loss)		<u>(11,490,668)</u>
Nonoperating Revenues:		
Interest on investments		2,065,271
Other revenue		4,017,631
Total nonoperating revenues		<u>6,082,902</u>
Transfers In/Out:		
Transfers In/Out		(3,454,769)
Total transfers In/Out		<u>(3,454,769)</u>
Change in net position		<u>(8,862,535)</u>
Total net position - beginning of year, as restated		<u>6,031,901</u>
Total net position (deficit) - end of year	\$	<u><u>(2,830,634)</u></u>

\* Date of the most current available information.

Source: Montgomery County FY 2018 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)
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
2019	63,614,700	494,518	64,109,218	0.07	59

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 2019 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		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
2010	\$ 1,344,626,102	\$ (5,596,936)	\$ 1,339,029,166	\$ 1,343,140,289	99.89	\$ (17,220,624)	\$ 1,325,919,665	99.02 %
2011	1,350,416,973	(2,563,196)	1,347,853,777	1,349,698,631	99.95	(4,126,255)	1,345,572,376	99.83
2012	1,365,605,932	(239,375)	1,365,366,557	1,363,217,734	99.83	725,603	1,363,943,337	99.90
2013	1,390,542,228	(1,453,292)	1,389,088,936	1,384,563,178	99.57	784,252	1,385,347,430	99.73
2014	1,437,898,506	(867,639)	1,437,030,867	1,434,787,650	99.78	(1,802,196)	1,432,985,454	99.72
2015	1,447,816,313	1,530,007	1,449,346,320	1,442,602,468	99.64	1,358,515	1,443,960,983	99.63
2016	1,521,343,303	(3,804,699)	1,517,538,604	1,518,519,304	99.81	(8,900,649)	1,509,618,655	99.48
2017	1,663,208,936	(1,430,844)	1,661,778,092	1,661,121,521	99.87	(2,058,184)	1,659,063,337	99.84
2018	1,679,004,512	(1,588,019)	1,677,416,493	1,678,245,742	99.95	(1,788,770)	1,676,456,972	99.94
2019	1,691,044,390	-	1,691,044,390	1,691,091,714	100.00	-	1,691,091,714	100.00

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 2019 Table 12, Note (2) for treatment of such overpayments.

Table Reference Source: Montgomery County FY 2019 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)	Ratio of Total Assessed Value to Total Estimated Market Value*
	Residential (1)		Commercial/Other		Total			
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
2010	131,149,193,561	148,358,816,245	35,947,649,976	40,664,762,417	167,096,843,537	189,023,578,662	0.904	88.40
2011	131,778,908,275	141,850,278,014	36,011,884,254	38,764,138,056	167,790,792,529	180,614,416,070	0.904	92.90
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	92.90
2013	124,783,384,563	136,226,402,361	33,489,446,285	36,560,530,879	158,272,830,848	172,786,933,240	0.990	91.60
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	92.40
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	96.60
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	93.60
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	93.10
2018	141,123,298,797	150,291,053,032	42,870,571,864	45,655,561,091	183,993,870,661	195,946,614,123	1.000	93.90
2019	144,227,022,428	153,563,695,089	44,823,996,615	47,725,720,416	189,051,019,043	201,289,415,505	0.980	93.92

Fiscal Year	Personal Property (2)					Total Direct Tax Rate (3)	Real and Personal Property Total	
	Business		Public Utility		Total		Assessed Value	Estimated Actual Value
	Individuals	Corporations	Operating Property	Domestic Shares				
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	193,147,575,274
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	184,470,608,022
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
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	176,391,411,990
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
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
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
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
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	200,135,179,389
2019	54,351,120	2,165,482,980	1,487,936,178	347,682,480	4,055,452,758	2.439	193,106,471,801	205,344,868,263

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 total assessed to total estimated actual value were updated according to the State Department of Assessments and Taxation FY2018 Annual report from FY10 to FY17.
  - \* Ratio for total assessed to total estimated actual value were revised by the State Department of Assessments and Taxation for FY2018.
  - \* Ratio for total assessed value to total estimated actual value for FY2019 is the five year average of FY2014-FY2018.
  - (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 Montgomery County FY 2019 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 2019 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)					Total County Direct Rate (3)	
	County		M-NCPPC (2)			County		M-NCPPC (2)				Prorata Tax Rate
	County	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
<b>Real Property:</b>												
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	
2019	.7414	.1065	.0498	.0010	.8987	.0254	.0000	.0156	.0530	.0811	.9798	
<b>Personal Property:</b>												
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	
2019	1.8535	.2663	.1245	.0025	2.2468	.0635	.0000	.0390	.1325	.1923	2.4391	

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 2019 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)
<b>Real Property:</b>												
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
2019	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0750	.1560	.1105
<b>Personal Property:</b>												
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
2019	.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 2019 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
<b>Real Property:</b>								
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
2019	.2620	.2920	.5291	.0514	.1500	.0100	.2000	.1500

<b>Personal Property:</b>								
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
2019	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
<b>Real Property:</b>					
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
2019	.1360	.0900	.1756	.1000	.2620

<b>Personal Property:</b>					
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
2019	.7500	.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 FY2019 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
<b>Real Property:</b>										
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
2019	.0400	.0200	.0000	.0200	.0813	.0480	.0400	.0050	.0450	.0400
<b>Personal Property:</b>										
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
2019	.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 2019 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, 2019**

	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 1,021,674,727	\$ 34,326,567	\$ 987,348,160	0.53 %
Verizon Inc.	853,610,183	35,853,933	817,756,250	0.44
JBG Smith	785,732,116	785,636,536	95,580	0.41
Federal Realty Investments Trust	624,512,399	620,012,569	4,499,830	0.32
Montgomery Mall LLC	438,752,837	435,514,767	3,238,070	0.23
Wash Metro Area Transit Auth	403,932,733	403,932,733		0.21
GI Partners	386,124,800	386,124,800		0.20
Fishers Lane LLC	372,683,987	372,630,967	53,020	0.19
Wheaton Plaza Reg Shopping Center	364,103,440	363,168,200	935,240	0.19
Street Retail Inc.	349,333,532	349,333,532		0.18
Total	<u>\$ 5,600,460,754</u>	<u>\$ 3,786,534,604</u>	<u>\$ 1,813,926,150</u>	<u>2.90 %</u>
Total Assessable Base	<u>\$ 193,106,471,801</u>			<u>100.00 %</u>

**For the Fiscal Year Ended June 30, 2010**

	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Verizon - Maryland	\$ 762,804,022	\$ 34,133,332	\$ 728,670,690	0.45 %
Potomac Electric Power Co.	676,189,850	6,099,000	670,090,850	0.39
Montgomery Mall LLC	404,053,458	403,612,698	440,760	0.24
Washington Gas Light Co.	252,714,250		252,714,250	0.15
7501 Wisconsin Avenue LLC	220,920,832	220,920,832		0.13
Camalier, Anne D et al, Trustee	219,422,703	219,422,703		0.13
Federal Realty Investment Trust	210,320,090	208,164,430	2,155,660	0.12
Chevy Chase Land Co	209,028,264	209,028,264		0.12
Democracy Associates	203,221,000	203,221,000		0.12
Mirant Mid-Atlantic, LLC	200,467,380	75,951,600	124,515,780	0.12
Total	<u>\$ 3,359,141,849</u>	<u>\$ 1,580,553,859</u>	<u>\$ 1,778,587,990</u>	<u>1.96 %</u>
Total Assessable Base	<u>\$ 171,220,840,150</u>			<u>100.00 %</u>

Table Reference Source: Montgomery County FY 2019 Table 10

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

Fiscal Year	General Bonded Debt Outstanding (1)				Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations	Total		
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	2,082
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	1.43	2,451
2015	2,465,315,677	100,000,000	339,516,238	2,904,831,915	1.68	2,795
2016	2,582,259,186	100,000,000	323,901,913	3,006,161,099	1.62	2,868
2017	2,722,235,195	90,000,000	308,297,064	3,120,532,259	1.60	2,947
2018	2,919,530,233	170,000,000	292,692,211	3,382,222,444	1.69	3,165
2019	3,015,540,076	170,000,000	277,106,496	3,462,646,572	1.69	3,210

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 2019 table 8 for estimated actual value of taxable property data.
- (3) See Montgomery County FY 2019 table 23 for population data used in calculating the Per Capita.

Table Reference Source: Montgomery County FY 2019 Table 18.

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

	2010	2011	2012	2013	2014
<b>Assessed Value</b>					
Real property (1,3)	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848	\$ 159,891,865,334
Personal property (2)	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508
Total Assessed Value	<u>\$ 171,220,840,149</u>	<u>\$ 171,646,984,481</u>	<u>\$ 165,916,095,468</u>	<u>\$ 161,877,309,598</u>	<u>\$ 163,601,192,842</u>
<b>Legal Debt Margin</b>					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920
For personal property at 15%	618,599,492	578,428,793	557,841,857	540,671,813	556,399,126
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,644,410,104</u>	<u>10,645,876,345</u>	<u>10,289,670,842</u>	<u>10,037,041,664</u>	<u>10,149,911,046</u>
Debt Applicable to Limit:					
General obligation bonds	1,437,839,285	1,517,280,000	1,658,970,000	1,930,155,391	2,085,028,317
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	339,671,879
Bond anticipation notes	425,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>2,194,839,285</u>	<u>2,455,600,000</u>	<u>2,597,290,000</u>	<u>2,869,982,911</u>	<u>3,024,700,196</u>
Legal Debt Margin	<u>\$ 8,449,570,819</u>	<u>\$ 8,190,276,345</u>	<u>\$ 7,692,380,842</u>	<u>\$ 7,167,058,753</u>	<u>\$ 7,125,210,850</u>
Legal Debt Margin as a Percentage of Debt Limit	79%	77%	75%	71%	70%
<b>2015</b>					
<b>Assessed Value</b>					
Real property (1,3)	\$ 163,656,758,206	\$ 170,176,446,052	\$ 177,495,353,018	\$ 183,993,870,661	\$ 189,051,019,043
Personal property (2)	3,655,133,210	3,884,349,017	4,051,372,468	4,188,565,266	4,055,452,758
Total Assessed Value	<u>\$ 167,311,891,416</u>	<u>\$ 174,060,795,069</u>	<u>\$ 181,546,725,486</u>	<u>\$ 188,182,435,927</u>	<u>\$ 193,106,471,801</u>
<b>Legal Debt Margin</b>					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 9,819,405,492	\$ 10,210,586,763	\$ 10,649,721,181	\$ 11,039,632,240	\$ 11,343,061,143
For personal property at 15%	548,269,982	582,652,353	607,705,870	628,284,790	608,317,914
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,367,675,474</u>	<u>10,793,239,116</u>	<u>11,257,427,051</u>	<u>11,667,917,030</u>	<u>11,951,379,057</u>
Debt Applicable to Limit:					
General obligation bonds	2,465,315,677	2,582,259,186	2,722,235,195	2,919,530,233	3,015,540,076
Variable Rate Demand Obligation	100,000,000	100,000,000	90,000,000	170,000,000	170,000,000
Taxable BABs General Obligation	339,516,238	323,901,913	308,297,064	292,692,211	277,106,496
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>3,404,831,915</u>	<u>3,506,161,099</u>	<u>3,620,532,259</u>	<u>3,882,222,444</u>	<u>3,962,646,572</u>
Legal Debt Margin	<u>\$ 6,962,843,559</u>	<u>\$ 7,287,078,017</u>	<u>\$ 7,636,894,792</u>	<u>\$ 7,785,694,586</u>	<u>\$ 7,988,732,485</u>
Legal Debt Margin as a Percentage of Debt Limit	67%	68%	68%	67%	67%

NOTES:

- (1) See (1) on Montgomery County FY 2019 CAFR Table 8.
- (2) See (2) on Montgomery County FY 2019 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 2019 Table 20

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
AS OF JUNE 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 171,000	100.00 %	\$ 171,000
Poolesville - bonds	2,265,086	100.00	2,265,086
Rockville:			
Bonds	34,902,761	100.00	34,902,761
Certificates or notes	26,000	100.00	26,000
Somerset - bonds	1,240,000	100.00	1,240,000
Takoma Park:			
Bonds	9,651,500	100.00	9,651,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	64,109,218	100.00	64,109,218
MCC - capital leases	81,934,359	100.00	81,934,359
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	172,620,000	35.68	61,590,000
Advance land acquisition bonds	750,000	100.00	750,000
Development Districts (2):			
Kingsview Village Center - bonds	527,084	100.00	527,084
West Germantown - bonds	9,280,000	100.00	9,280,000
Total Overlapping Debt			266,597,008
Montgomery County direct debt (5)			4,352,997,640
Total Direct and Overlapping Debt			<u>\$ 4,619,594,648</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 2019 Table 19

**MONTGOMERY COUNTY, MARYLAND**  
**STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)**  
**YEAR ENDED JUNE 30, 2019\***

<u>Description of Bonds and Purpose of Issue</u>	<u>Interest Rate</u>	<u>Date of</u>		<u>Amount of General Tax Bonds</u>	
		<u>Bond Issue</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding June 30, 2019</u>
General bonded indebtedness:					
General Obligation Bonds	3.00 - 5.00	7/15/2008	2009-2029	\$ 127,000,000	\$ -
Consolidated Public Improvement-General Obligation Refunding Bonds	2.00 - 5.00	11/3/2009	2011-20	78,095,307	22,401,921
Consolidated Public Improvement-General Obligation Bonds BAB's	3.75 - 5.50	11/3/2009	2015-29	130,000,000	95,337,067
Consolidated Public Improvement-General Obligation Bonds	2.00 - 5.00	7/26/2010	2011-22	80,500,000	13,416,668
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	5,925,000
Consolidated Public Improvement-General Obligation Refunding Bonds	2.00 - 5.00	8/11/2011	2012-22	106,469,440	45,760,960
Consolidated Public Improvement-General Obligation Bonds	2.50 - 5.00	10/24/2012	2013-32	150,000,000	52,500,000
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	11/26/2013	2014-34	83,300,000	54,145,000
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	140,402,500
Consolidated Public Improvement-General Obligation Refunding Bonds	5.00	11/19/2014	2016-28	146,015,100	132,535,200
Consolidated Public Improvement-General Obligation Refunding Bonds	5.00	3/26/2015	2018-21	30,371,880	19,449,525
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	11/18/2015	2016-35	95,789,000	81,420,650
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.00	12/13/2016	2017-36	95,092,945	85,583,651
General Obligation Bonds Series A	5.00	11/15/2017	2018-27	49,938,000	44,944,200
General Obligation Refunding Bonds Series B	5.00	11/15/2017	2018-26	50,092,800	39,625,600
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
General Obligation Bonds Series A	3.50 - 5.00	11/8/2018	2019-2038	117,878,586	117,878,586
Total				<u>\$ 1,941,522,955</u>	<u>\$ 1,233,231,425</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, 2019

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)
2010	976,140	\$ 68,848,101	\$ 70,531	532,572	502,733	5.6 %	140,500
2011	993,326	74,120,511	74,619	536,858	508,575	5.3	143,309
2012	1,007,488	76,943,862	76,372	540,440	512,451	5.2	146,497
2013	1,019,291	74,332,805	72,926	543,131	516,271	4.9	149,018
2014	1,030,188	76,405,678	74,167	543,806	519,929	4.4	151,289
2015	1,039,370	82,326,775	79,208	547,058	525,766	3.9	153,852
2016	1,048,332	87,051,154	83,038	545,139	526,217	3.5	156,447
2017	1,058,810	91,202,046	86,136	552,313	533,560	3.4	159,016
2018	1,068,721	94,300,000	88,236	554,989	537,429	3.2	161,936
2019	1,078,725	98,500,000	91,312	556,916	540,217	3.0	163,123

NOTES:

- (1) Source: Data for 2010-2017 is from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2018 and 2019 are estimated by the Montgomery County Department of Finance. Data for 2010-2017 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 2010-2017 was published by BEA. Data for 2018 through 2019 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 2010 - 2018. Data for 2019 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY 2018 to the average of the first six months of CY 2019.
- (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 2010-2018 was published by BLS. Data for 2019 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY 2018 to the first six months of CY 2019.
- (6) The unemployment rates for 2010 through 2018 were published by the Bureau of Labor Statistics (BLS), U.S. Department of Labor. Unemployment rate for 2019 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 FY20 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 2019 Table 23

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

Employer	Fiscal Year 2019			Fiscal Year 2010		
	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	25,000 - 30,000	5.81 %	1	>30,000	6.48 %
Montgomery County Public Schools	2	25,000 - 30,000	5.81	2	20,000 - 25,000	4.86
Montgomery County Government	3	10,000 - 15,000	2.64	4	5,000 - 10,000	1.62
U.S. Department of Defense	4	5,000 - 10,000	1.59	3	10,000 - 15,000	2.70
Adventist Healthcare	5	5,000 - 10,000	1.59	6	5,000 - 10,000	1.62
Holy Cross Hospital of Silver Spring	6	2,500 - 5,000	0.79		*	-
Marriott International Admin Srvs, Inc.	7	2,500 - 5,000	0.79	8	2,500 - 5,000	0.81
Montgomery Community College	8	2,500 - 5,000	0.79	10	2,500 - 5,000	0.81
Government Employees Insurance Co.	9	2,500 - 5,000	0.79		*	-
U.S. Department of Commerce	10	2,500 - 5,000	0.79	5	5,000 - 10,000	1.62
Lockheed Martin Corporation		*	-	7	5,000 - 10,000	1.62
Giant Food Corporation		*	-	9	2,500 - 5,000	0.81
Total			<u>21.39 %</u>			<u>22.95 %</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 2018 and CY 2010

(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 FY19 and FY10 according to Bureau of Labor Statistics, U.S. Department of Labor. Employee counts for federal and military facilities exclude contractors to the extent possible.

(3) Total average payroll employment in FY19 was 472,961 and in FY10 was 462,830.

Table Reference Source: Montgomery County FY 2019 Table 22



Student: Wudasse Ephrem, 3<sup>rd</sup> Grade  
School: Greenwood Elementary School



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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>					
Instruction:					
Total enrollment <sup>(1)</sup>	141,777	144,064	146,497	148,779	151,289
Regular students <sup>(1)</sup>	140,065	142,342	144,571	146,930	149,390
ESOL students <sup>(2)</sup>	17,664	17,900	18,650	19,200	22,088
Special education classroom students <sup>(2)</sup>	9,107	9,067	9,533	11,614	16,339
Cost per pupil (accrual basis) <sup>(5)</sup>	\$ 16,782	\$ 16,590	\$ 16,476	\$ 16,511	\$ 17,240
Number of teaching stations <sup>(3)</sup>	7,085	7,101	7,492	7,313	7,584
Average teacher salary <sup>(6)</sup>	\$ 76,499	\$ 73,638	\$ 72,356	\$ 75,463	\$ 75,452
Student/Teacher ratio - Regular Instruction <sup>(4)</sup>	13.5:1	14:1	14:1	14:1	14:1
Average SAT score <sup>(1) *</sup>	1,653	1,637	1,651	1,648	1,650
Seniors taking SAT <sup>(1)</sup>	71 %	71 %	71 %	69 %	69 %
Average ACT score	23	23	23	23	24
Seniors taking ACT	29.5 %	29.3 %	30.0 %	29.3 %	29.6 %
Building capacity used <sup>(3) #</sup>	98.3 %	99.5 %	99.5 %	102 %	99 %
Support services:					
Student transportation:					
Number of buses <sup>(1)</sup>	1,270	1,268	1,264	1,264	1,270
Students transported <sup>(1)</sup>	97,100	98,535	100,158	99,300	101,949
Operation of plant:					
School buildings <sup>(1)</sup>	200	200	200	202	202
Square footage <sup>(3)</sup>	21.4 million	23.5 million	24.2 million	24.6 million	24.9 million
Number of rooms <sup>(3)</sup>	7,652	7,737	7,898	7,950	8,157
Maintenance of plant:					
Work orders completed	60,322	64,754	61,529	60,305	59,862
Average building age (years) <sup>(3) +</sup>	23	23	22	22	23
Administration:					
Payments issued	66,412	64,504	65,035	64,880	64,506
Purchased orders issued	49,870	59,866	33,436	33,663	48,375
<b>Business-Type Activities:</b>					
Food Service:					
Meals served	12.9 million	13.7 million	14.6 million	14.6 million	15.1 million
Free & Reduced meals	8.1 million	8.9 million	9.6 million	9.9 million	10.3 million
Real Estate Management:					
Square footage under lease	162,389	167,416	169,432	169,768	185,375
Average annual rental months	11.10	11.42	11.31	11.28	11.06
Field Trip:					
Number of trips run	9,800	10,913	11,632	11,490	11,509
Trip miles	385,878	427,679	440,462	433,456	421,296
Entrepreneurial activities:					
Science kits sold	4,806	5,676	4,748	3,546	1,854

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 for students/classroom is currently 23.

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

Sources for 2019:

(1) The Superintendent's FY 2020 Operating Budget Summary

*Total schools are 207 with breakdown: 135 elementary schools; 40 middle schools; 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) 2018-2019 Schools at a Glance

(3) FY 2019 Educational Facilities Master Plan and the FY 2019-2024 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 2019 Fact Sheet prepared by Employee and Retiree Service Center

Fiscal Year				
2015	2016	2017	2018	2019
153,852	156,447	159,010	161,470	162,600
152,092	154,288	157,047	159,447	160,519
23,386	26,127	25,867	26,597	28,651
16,462	17,053	17,861	18,084	18,211
\$ 16,919	\$ 16,833	\$ 17,538	\$ 17,203	\$ 18,174
7,595	8,307	8,307	7,987	8,083
\$ 76,029	\$ 75,717	\$ 79,604	\$ 82,809	\$ 81,085
14:1	14:1	14:1	14:1	14:1
1,629	1,631	1,126 *	1,167 *	1,119
68 %	65 %	62 %	66 %	76 %
24	25	25	25	26
34 %	35.6 %	39.6 %	34.4 %	30.7 %
101 %	101 %	101 %	101 %	101 %
1,273	1,287	1,290	1,323	1,378
101,949	104,000	101,225	102,067	104,555
203	204	204	205	207
24.9 million	23.9 million	23.7 million	24.3 million	24.4 million
8,169	8,184	8,320	8,540	8,640
63,980	67,083	67,740	69,918	73,466
22	24	25	25	26
61,911	57,476	56,441	54,787	53,609
37,763	37,929	36,153	34,543	32,411
17.2 million	17.6 million	17.7 million	17.4 million	16.9 million
11.9 million	12 million	11.7 million	11.3 million	10.9 million
179,686	207,177	173,797	192,500	187,912
11.7	11.1	11.6	11.6	11.7
11,187	12,264	13,266	13,295	13,885
436,954	478,034	503,020	522,322	549,635
2,293	3,570	2,334	2,056	3,654

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,690	9,453	9,467	9,617
Other staff	1,374	1,351	1,208	1,211
Total Regular instruction	<u>11,064</u>	<u>10,804</u>	<u>10,675</u>	<u>10,828</u>
Special education:				
Teachers	2,094	2,117	2,114	2,141
Other staff	1,514	1,545	1,547	1,556
Total Special education	<u>3,608</u>	<u>3,662</u>	<u>3,661</u>	<u>3,697</u>
School administration	1,662	1,683	1,669	1,673
Student personnel services	111	110	109	107
Total Instruction	<u>16,445</u>	<u>16,259</u>	<u>16,114</u>	<u>16,305</u>
Support services:				
Student transportation	1,742	1,742	1,733	1,733
Operation of plant	1,398	1,407	1,430	1,431
Maintenance of plant	389	380	380	380
Administration	358	339	327	328
Total Support services	<u>3,887</u>	<u>3,868</u>	<u>3,870</u>	<u>3,872</u>
Special Revenue:				
Instructional TV	14	14	13	13
Business-Type Activities:				
Food Service	584	584	584	583
Real Estate Management	7	7	7	7
Field Trips	5	5	5	5
Entrepreneurial activities	10	9	9	13
Position Grand total	<u><u>20,952</u></u>	<u><u>20,746</u></u>	<u><u>20,602</u></u>	<u><u>20,798</u></u>

Source:  
 The Superintendent's FY 2020 Operating Budget

Fiscal Year					
2014	2015	2016	2017	2018	2019
9,887	10,119	10,029	10,572	10,611	10,716
<u>1,205</u>	<u>1,085</u>	<u>1,022</u>	<u>1,141</u>	<u>1,056</u>	<u>1,071</u>
<u>11,092</u>	<u>11,204</u>	<u>11,051</u>	<u>11,713</u>	<u>11,667</u>	<u>11,787</u>
2,201	2,241	2,272	2,299	2,355	2,387
<u>1,591</u>	<u>1,626</u>	<u>1,659</u>	<u>1,682</u>	<u>1,699</u>	<u>1,743</u>
<u>3,792</u>	<u>3,867</u>	<u>3,931</u>	<u>3,981</u>	<u>4,054</u>	<u>4,130</u>
1,675	1,678	1,655	1,678	1,689	1,680
<u>108</u>	<u>112</u>	<u>112</u>	<u>112</u>	<u>118</u>	<u>123</u>
<u>16,667</u>	<u>16,861</u>	<u>16,749</u>	<u>17,484</u>	<u>17,528</u>	<u>17,719</u>
1,733	1,733	1,721	1,741	1,737	1,747
1,442	1,594	1,594	1,592	1,617	1,636
375	351	356	354	369	369
<u>333</u>	<u>347</u>	<u>341</u>	<u>336</u>	<u>366</u>	<u>356</u>
<u>3,883</u>	<u>4,025</u>	<u>4,012</u>	<u>4,023</u>	<u>4,089</u>	<u>4,107</u>
13	14	14	14	14	14
583	585	585	588	588	598
7	7	9	12	12	12
5	5	5	5	5	5
<u>13</u>	<u>13</u>	<u>14</u>	<u>12</u>	<u>12</u>	<u>12</u>
<u>21,171</u>	<u>21,510</u>	<u>21,388</u>	<u>22,138</u>	<u>22,248</u>	<u>22,466</u>



Student: Emma Schmiedigen, 8<sup>th</sup> grade  
School: Thomas W. Pyle Middle School



Maryland's Largest School District

## MONTGOMERY COUNTY PUBLIC SCHOOLS

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