



# Comprehensive Annual FY 2020 Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

ROCKVILLE, MARYLAND

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

Maryland's Largest School District

**MONTGOMERY COUNTY PUBLIC SCHOOLS**

## **Board of Education of Montgomery County**

### ***GUIDING TENETS***

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

### ***CORE VALUES***

#### **LEARNING**

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

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

#### **RELATIONSHIPS**

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

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

#### **RESPECT**

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

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

#### **EXCELLENCE**

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

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

#### **EQUITY**

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

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

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

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

Prepared by: Office of Finance

Daniel K. Marella, *Associate Superintendent*  
Robert Reilly, CPA, *Director*

Cover Photograph: *Seneca Valley High School*

850 Hungerford Drive, Room 167  
Rockville, Maryland 20850



First day of school at Rocky Hill Middle School, 2019

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2020

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First day of school at Snowden Farm Elementary School, 2019





# INTRODUCTORY SECTION

Board of Education of Montgomery County  
June 30, 2020



Quince Orchard High School Football Player, 2019



September 29, 2020

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

Maryland State law requires that Local Education Agencies (LEAs) 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 (FY) ended June 30, 2020.

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 has no power to levy and collect taxes, which is the case for all of the LEAs in Maryland. Each year the Board, with the involvement of the superintendent, parents, guardians, students, MCPS staff, residents and other stakeholders in the community, will adopt an annual operating budget. This budget must be approved by the Montgomery County Council. Funding for the capital budget is handled differently. In November 1996 the Montgomery County charter was amended by referendum to require a biennial, rather than annual, Capital Improvements Program (CIP) review and approval process. The total six-year CIP is now reviewed and approved for each odd-numbered fiscal year. For even-numbered fiscal years, only amendments are considered where changes are needed in the second year of the six-year CIP. FY 2021 is an odd-numbered fiscal year and, therefore, all CIP projects were considered with a full review by the county executive and the County Council. 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. As such, much of the data presented in this CAFR will also appear in the Montgomery County, Maryland CAFR for the corresponding year.

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**

The county executive submitted his recommended FY 2021 operating budget for the county on March 16, 2020. This budget included revenue estimates based on information available in January and early February 2020. Due to the COVID-19 pandemic health emergency, the county and state began stay-at-home orders to prevent the spread of the virus that shut down or revised the operations of the economy. The Montgomery County Council adopted an FY 2021 operating budget on May 19, 2020. The approved budget included revenue estimates from the March 2020 budget recommendation because revised estimates were not available at the time.

In a memorandum dated July 9, 2020, from Mr. Gene Smith, legislative analyst to the County Council, an update was provided about the county's tax revenue estimates and the impact that the COVID-19 pandemic has had on the economy.

FY 2020 tax revenue estimates are revised down by \$47.7 million compared to estimates in the approved FY 2021 budget. This reduction results in fewer resources available to fund expenditures in FY 2020. It is unknown how this revision will impact the overall FY 2020 budget closeout for the county because this update does not include revisions to the county's expenditures or the use of federal grant funding to offset FY 2020 expenditures.

FY 2021 tax revenue estimates are down \$192 million compared to the estimates in the approved FY 2021 budget. Approximately 62 percent of this reduction is due to a decrease from the county's income taxes. This reduction only applies to tax revenues available to fund the FY 2021 budget. It does not include revisions to the following important items:

- Revisions to the county's expenditures in FY 2021. The county executive recently recommended reductions totaling \$38.3 million in the county's FY 2021 operating budget and \$27.2 million in savings from the FY 2021 capital budget.
- Revisions to the county's state aid. The State of Maryland is also faced with a significant reduction in resources to fund its budget, including aid to the counties.
- Offsetting federal grants. The county still has a portion of the federal funding already received to help offset certain expenditures in FY 2021.

FY 2021 property tax estimates are mostly unchanged compared to the approved FY 2021 budget. This tax revenue is approximately 40 percent of the county's tax revenues each year, and county staff is still waiting for updated information related to potential appeals in FY 2021.

Actual tax revenues decreased by \$188.2 million combined in FY 2010 and FY 2011 due to the recession of 2007. This provides a historical context to the last time the county received less tax revenue compared to the previous year.

The potential impact on future MCPS funding as a result of these downward estimates is yet to be determined.

### **Long-term Financial Planning**

The county has decreased FY 2021-2026 income tax revenue estimates because of a projected decrease in resident employment for several years. Further revisions to the FY 2021-2026 income tax estimates are likely following the November 2020 distribution to the county.

FY 2021-2026 estimated property tax revenue estimates have been decreased by the county because of the estimated changes to the Consumer Price Index (CPI). The County Charter restricts growth to real property tax revenues to the CPI, unless all Councilmembers vote to exceed it. The county indicates additional revisions to property tax estimates are likely but the information will be unavailable until after September 2020 when the first installment of property taxes is due.

### **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. In addition, the three-year contract agreements that the Board of Education approved expired at the end of FY 2020.

### **Update on Contract Negotiations**

At its August 6, 2020, meeting, Board members received an update on association negotiations. It was reported that MCPS reached an agreement with the SEIU Local 500 and MCAAP associations and will move toward ratification of those contracts. It was reported that MCPS and MCEA have not yet reached an agreement and are at an impasse. In addition, MCPS and MCEA will continue to negotiate terms with the assistance of the Public School Labor Relations Board.

In the interim, and on the superintendent's recommendation, the Board approved the following resolution concerning MCEA:

Resolved, That the Board of Education will continue to apply the relevant terms and conditions of the Negotiated Agreement, except as modified by any Memorandum of Understanding between the parties related to the COVID-19 pandemic; and be it further

Resolved, That this resolution automatically expires upon ratification of a successor Negotiated Agreement between the parties, or on September 30, 2020, whichever occurs first.

**Enrollment**—MCPS experienced another year of significant enrollment growth. For the 2019–2020 school year, official September 30, 2019, enrollment was 165,267 students, a one-year increase of 2,587 students. Much of this enrollment growth is attributable to our international student enrollment that not only will impact the capital budget, but will impact the operating budget as well. Since the 2009–2010 school year, enrollment has increased by 23,490 students. Total MCPS student enrollment, by the 2025–2026 school year, is projected to increase by 6,052 students to reach 171,319 students. This is a remarkable amount of growth for any school system to accommodate.

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 2019–2020 school year, 434 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 14 elementary school capacity projects, five middle school capacity projects, and five high school capacity projects. It also includes funding for nine 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, 2020 is 26 years. In the next six years, based on the adopted Capital Improvements Program, a total of 442 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**—Five MCPS high schools made the top 500 *U.S. News & World Report 2020* list of Best High Schools. The Board had the top four 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 41,000 Advanced Placement (AP) exams taken by the Board’s students in 2019. Students earned a college-ready score (3 or higher) on 71 percent of those exams. In 2019, the percentage of AP exams taken by the Board’s African American students (48.1 percent) that earned college-ready scores of three or higher is significantly higher than the percentages of 42.8 percent in Maryland and 30.6 percent in the nation. In 2019, the percentage of AP exams taken by Hispanic students that earned college-ready scores of three or higher (55.0 percent) was slightly lower than the percentage of exams for Hispanic students in Maryland (55.2 percent) and significantly higher than the nation (43.2 percent).

**Return on Investment**—More than \$730 million in scholarships were offered 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, 2019, for the sixteenth 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 39 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 2020 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

### **Acknowledgements**

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



Daniel K. Marella  
Associate Superintendent of Finance



Robert Reilly, CPA  
Director, Division of Financial Services

JRS:DKM:RR



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, 2019

*Christopher P. Morill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

**Board of Education of Montgomery  
County**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2019.**

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



A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO  
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis  
Executive Director

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

**MEMBERS OF THE BOARD OF EDUCATION**

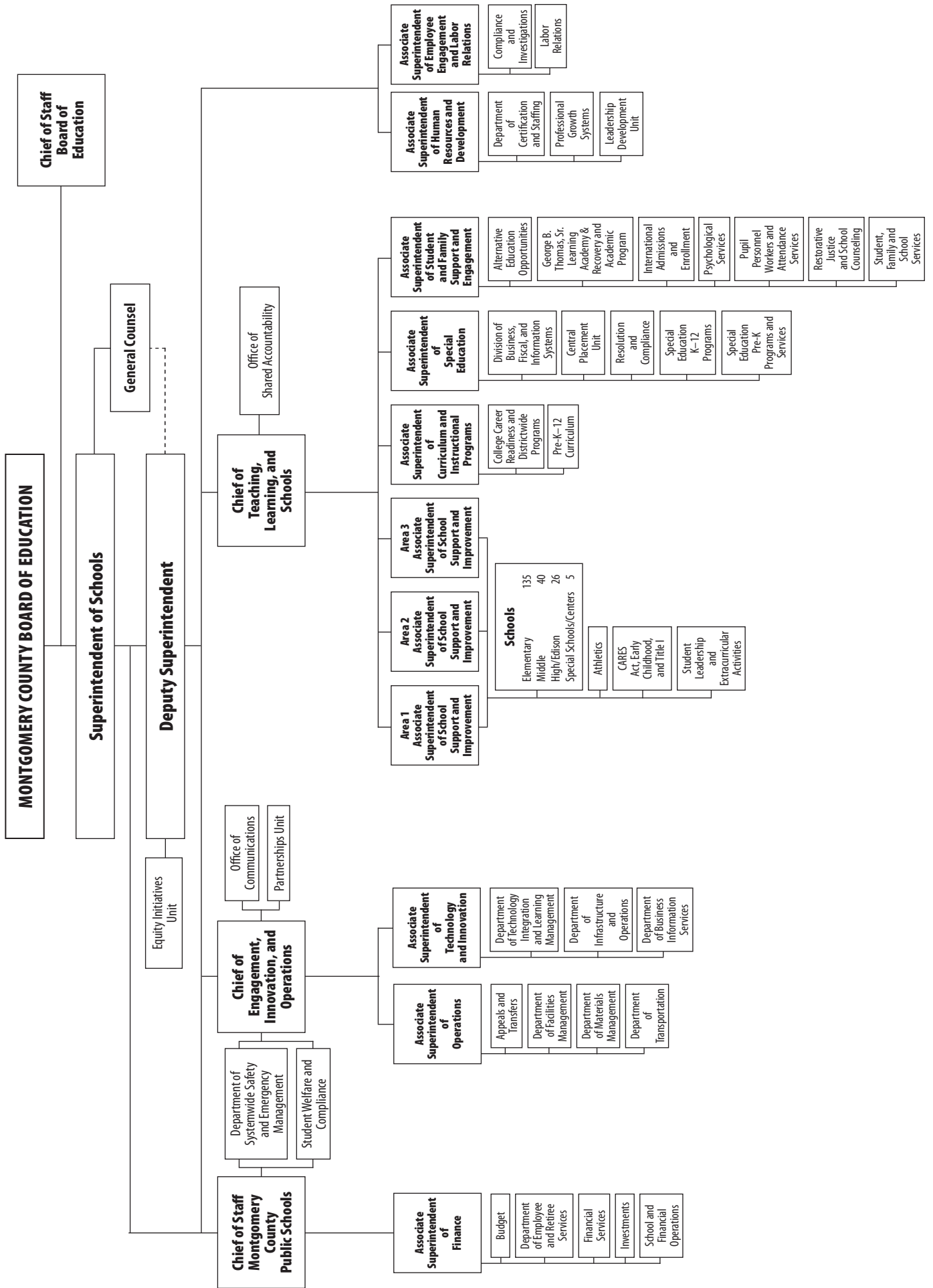
Shebra L. Evans, President  
Brenda Wolff, Vice President  
Jeanette E. Dixon  
Dr. Judith R. Docca  
Patricia B. O’Neill  
Karla Silvestre  
Rebecca K. Smondrowski  
Nick Asante, Student Member

**EXECUTIVE STAFF**

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

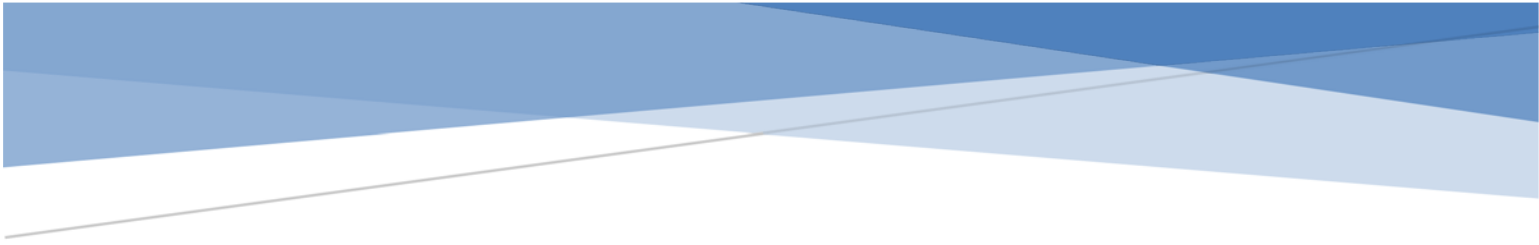
Monifa B. McKnight, Ed.D. .... Deputy Superintendent  
Janet S. Wilson, Ph.D. .... Chief of Teaching, Learning & Schools  
Derek G. Turner ..... Chief of Engagement, Innovation & Operations  
Natalia M. Ahn ..... General Counsel  
Henry R. Johnson, Jr., Ed.D. .... Chief of Staff  
Daniel K. Marella ..... Associate Superintendent of Finance  
Essie McGuire ..... Associate Superintendent of Operations  
Peter Cevenini ..... Associate Superintendent of Technology & Innovation  
Cheryl L. Dyson ..... Area 1 Associate Superintendent of School Support and Improvement  
James P. Koutsos ..... Area 2 Associate Superintendent of School Support and Improvement  
Diane D. Morris ..... Area 3 Associate Superintendent of School Support and Improvement  
Niki T. Hazel ..... Associate Superintendent of Curriculum & Instructional Programs  
Kevin E. Lowndes ..... Associate Superintendent of Special Education  
Ruschelle Reuben ..... Associate Superintendent of Student & Family Support & Engagement  
Helen A. Nixon, Ed.D. .... Associate Superintendent of Human Resources and Development  
Sherwin Collette ..... Associate Superintendent of Employee Engagement and Labor Relations

# MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION—FY 2021





2020 Lunar New Year Celebration  
at Spark M. Matsunaga Elementary School



# FINANCIAL SECTION

Board of Education of Montgomery County  
June 30, 2020



## 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, 2020, 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, 2020, 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 29, 2020, 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 29, 2020

## 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, 2020. 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, 2020, by \$262.1 million, which represents its net position.
- The Board's net position increased during the year by \$101.2 million.
- 80 percent of capital asset additions were directed toward instructional facilities.
- The Board successfully generated \$30.3 million in Fiscal Year (FY) 2020 budgetary savings to be used to fund future operating budgets.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 33–35 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 36–40 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 41–43 of this report.

**Fiduciary funds.** The Board is the trustee, or fiduciary, for assets that belong to others, which includes the Montgomery County Public Schools Employee Retirement and Pension Plan, the Other Postemployment Benefits (OPEB) Plan Trust, and the student activities funds. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 44–45 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46–86 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 98-110 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 353.8	\$ 293.6	\$ 16.0	\$ 22.1	369.8	\$ 315.7
Capital assets	3,293.5	3,086.3	5.8	6.6	3,299.3	3,092.9
Total assets	3,647.3	3,379.9	21.8	28.7	3,669.1	3,408.6
Deferred outflows of resources	708.4	543.9			708.4	543.9
Total assets and deferred outflows	4,355.7	3,923.8	21.8	28.7	4,377.5	3,952.5
Long-term liabilities outstanding	3,360.5	3,086.4	3.6	6.0	3,364.1	3,092.4
Other liabilities	293.9	239.2	2.2	3.0	296.1	242.2
Total liabilities	3,654.4	3,325.6	5.8	9.0	3,660.2	3,334.6
Deferred inflows of resources	455.0	457.0			455.0	457.0
Total liabilities and deferred inflows	4,109.4	3,782.6	5.8	9.0	4,115.2	3,791.6
Net Position:						
Net investment in capital assets	3,253.1	3,047.4	5.7	6.5	3,258.8	3,053.9
Restricted for instructional programs	0.5	0.4			0.5	0.4
Unrestricted	(3,007.3)	(2,906.6)	10.1	13.2	(2,997.2)	(2,893.4)
Total net position	\$ 246.3	\$ 141.2	\$ 15.8	\$ 19.7	\$ 262.1	\$ 160.9

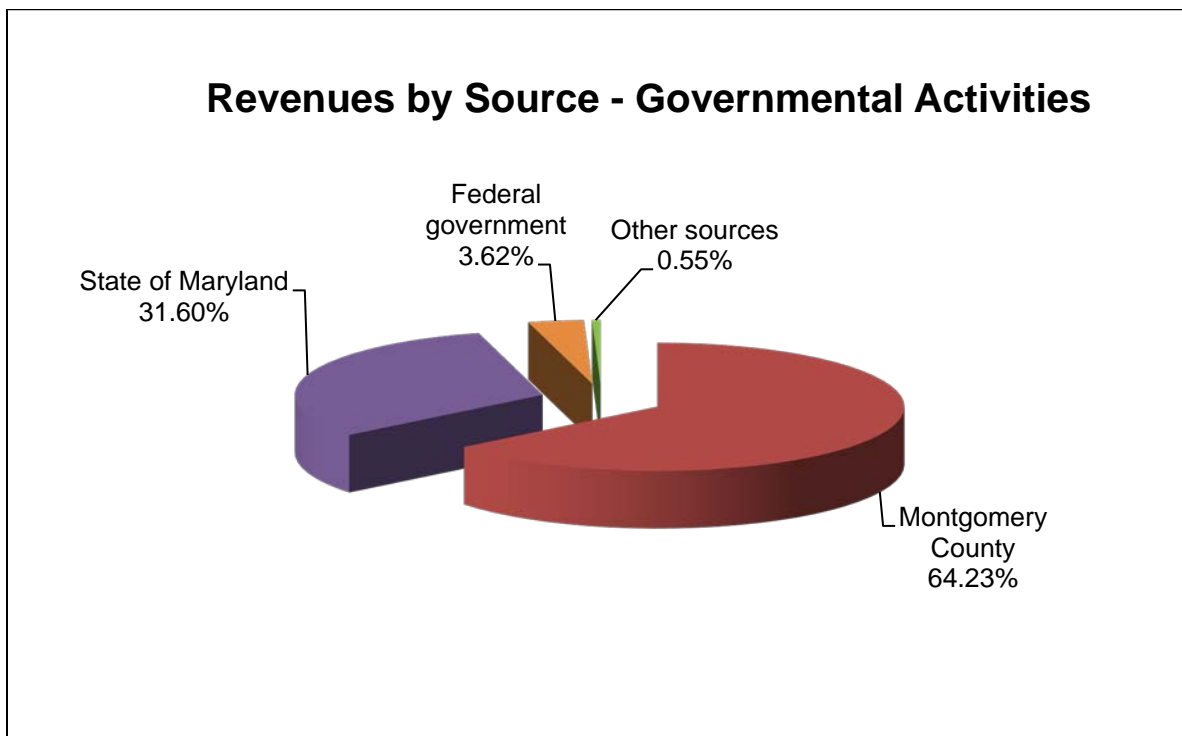
**Government-wide Financial Analysis**

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 \$101.2 million to \$262.1 million. The major portion of the increase came from governmental activities, which increased by \$105.1 million to \$246.3 million. The largest portion of net position reflects the Board’s investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by the Board to acquire those assets. Net investment in capital assets for governmental activities increased \$205.7 million to \$3,253.1million. 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 \$103.8 million to a \$2,997.2 million deficit at June 30, 2020. 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 \$257.6 million, which was offset by the net associated deferrals of \$166.5 million, accounting for the largest portion of the total \$144.3 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, and intergovernmental revenues grew sufficiently from FY 2019 to FY 2020 to meet its fiscal obligations and to fund its current operations. However, it is yet to be determined what effects the COVID-19 pandemic will have on the future of intergovernmental revenue growth.



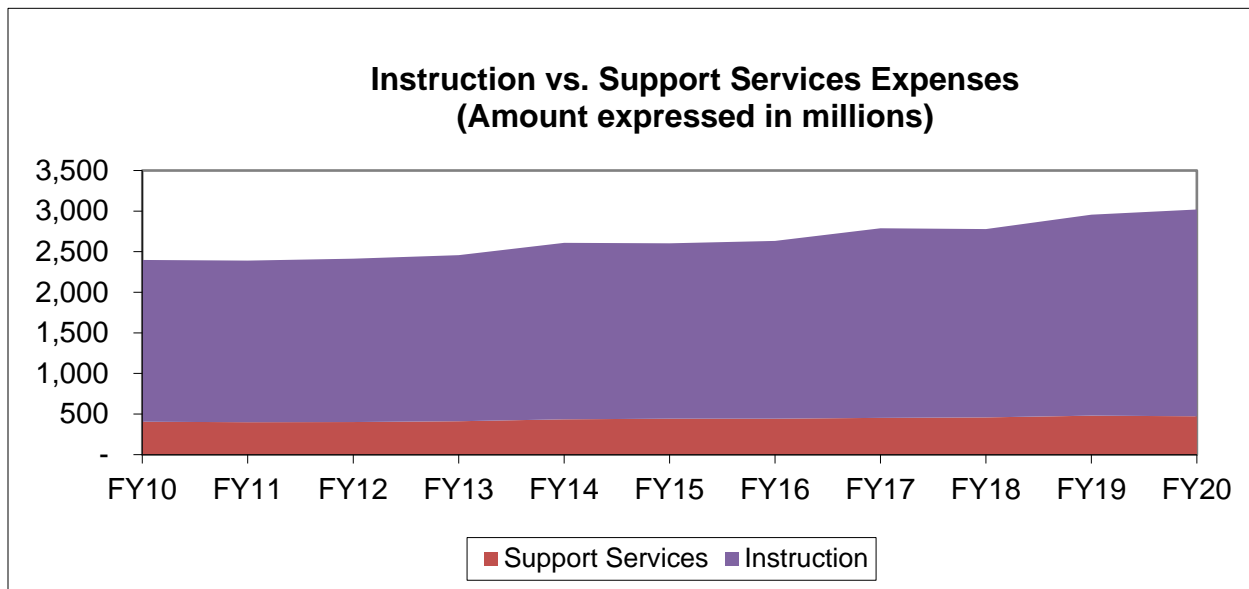
**Governmental activities.** Governmental activities unrestricted net deficit increased \$141.2 million to a deficit of \$3.0 billion at June 30, 2020. The increase in unrestricted net deficit arose primarily from the increases in both OPEB and net pension liabilities, as previously mentioned.

Total revenues for the Board's governmental activities increased \$89.0 million (2.9 percent). Intergovernmental revenues increased \$61.2 million (2.1 percent), and operating grants revenues increased \$20.7 million (23.9 percent). Intergovernmental revenues from Montgomery County increased \$7.2 million. The increase is primarily due to an increase of \$49.5 million in capital projects revenue in 2020. Intergovernmental revenue from the State of Maryland increased \$49.8 million (5.4 percent). Federal intergovernmental revenue increased \$3.6 million (16.5 percent), largely due to increases in Medicare Part D subsidies. Other revenue increased by \$2.6 million due to increases in land contributions and interest income.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 3.0	\$ 3.4	\$ 25.2	\$ 36.3	\$ 28.2	\$ 39.7
Operating grants and contributions	107.2	86.5	44.6	43.6	151.8	130.1
Capital grants and contributions	67.8	62.9	0.2	0.9	68.0	63.8
General revenues:						
Intergovernmental	2,935.1	2,873.9			2,935.1	2,873.9
Other	11.8	9.2	0.1		11.9	9.2
Total revenues	3,124.9	3,035.9	70.1	80.8	3,195.0	3,116.7
Expenses:						
Regular instruction	1,825.1	1,762.6			1,825.1	1,762.6
Special education	486.3	481.5			486.3	481.5
School administration	217.3	213.5			217.3	213.5
Student personnel services	17.5	17.8			17.5	17.8
Health services						
Student transportation	140.2	144.3			140.2	144.3
Operation of plant	179.4	179.7			179.4	179.7
Maintenance of plant	73.0	79.2			73.0	79.2
Administration	76.1	71.8			76.1	71.8
Community services	3.3	3.2			3.3	3.2
Interest on capital leases	1.6	1.4			1.6	1.4
Food services			60.7	60.6	60.7	60.6
Real estate management			3.7	3.7	3.7	3.7
Field trips			1.5	2.3	1.5	2.3
Entrepreneurial activities			8.1	13.2	8.1	13.2
Total expenses	3,019.8	2,955.0	74.0	79.8	3,093.8	3,034.8
Increase (decrease) in net position	105.1	80.9	(3.9)	1.0	101.2	81.9
Net position - Beginning	141.2	60.3	19.7	18.7	160.9	79.0
Net position - Ending	\$ 246.3	\$ 141.2	\$ 15.8	\$ 19.7	262.1	\$ 160.9

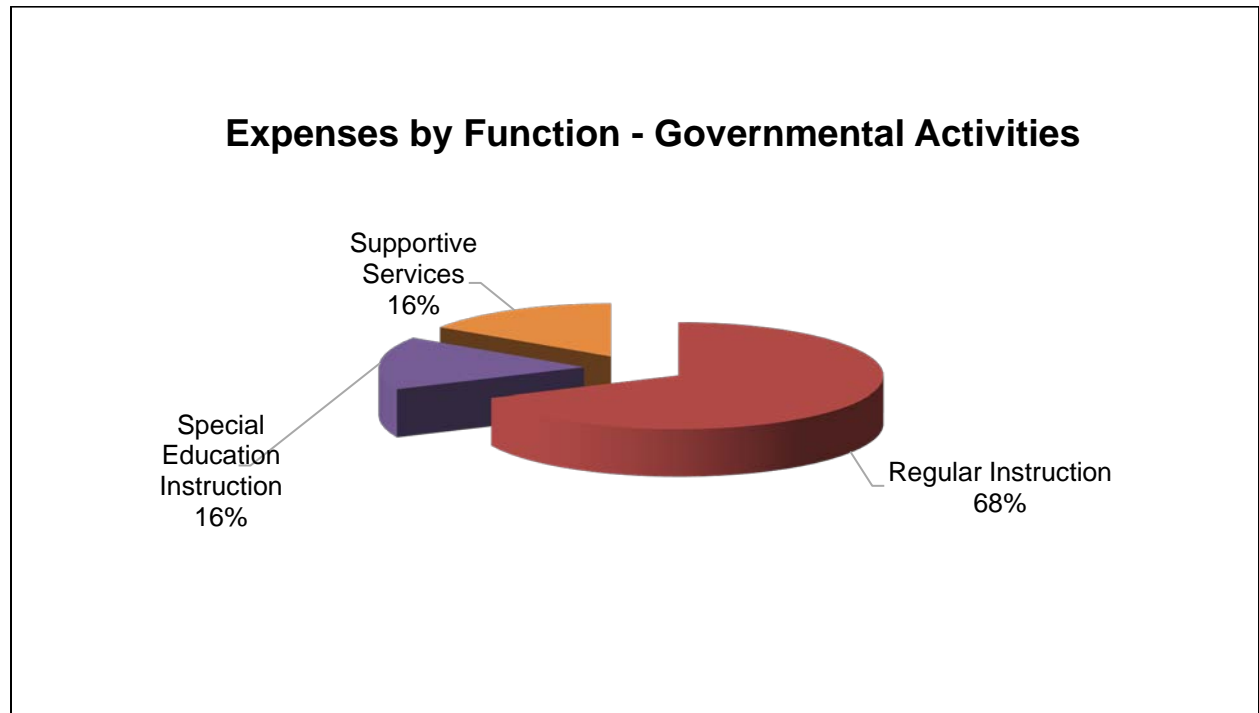
Total expenses for the Board governmental activities increased \$64.8 million (2.1 percent) to \$3,019.8 million. In 2020, instructional programs expenses accounted for 84 percent, (84 percent in 2019), and support services accounted for 16 percent (16 percent in 2019) of total governmental activities 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.



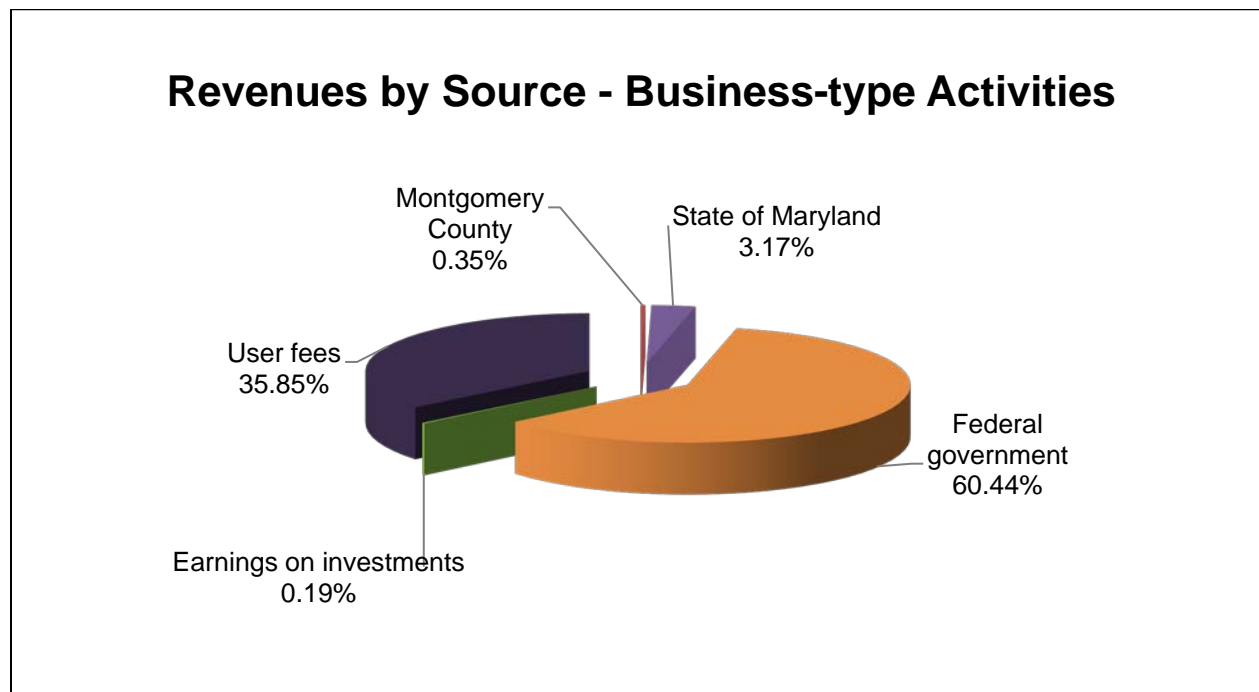
OPEB contributions increased \$52.5 million due to the county (which funds the OPEB Trust on behalf of the Board) funding the full annual required contribution. The Council also agreed with the county executive to provide \$27.2 million from the county’s Consolidated OPEB Trust Fund to cover current retiree health benefits expenditures in FY 2020. Board contributions to the pension plan decreased by 1.9 million (2.1 percent) which was due to the fact that the Board contributed extra funding in FY 2019.

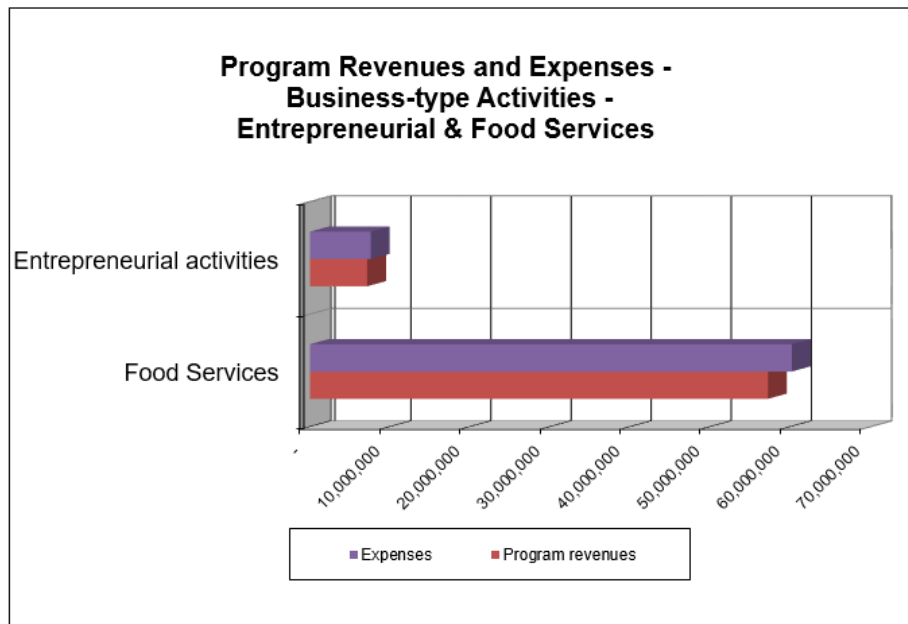
General fund salaries increased \$40.3 million (4.0 percent) primarily due to steps and longevity increases in FY 2020. In addition, part of the general fund salary increase was due to the addition of a net 394 positions in the approved FY 2020 budget to accommodate growth and strategic priorities.



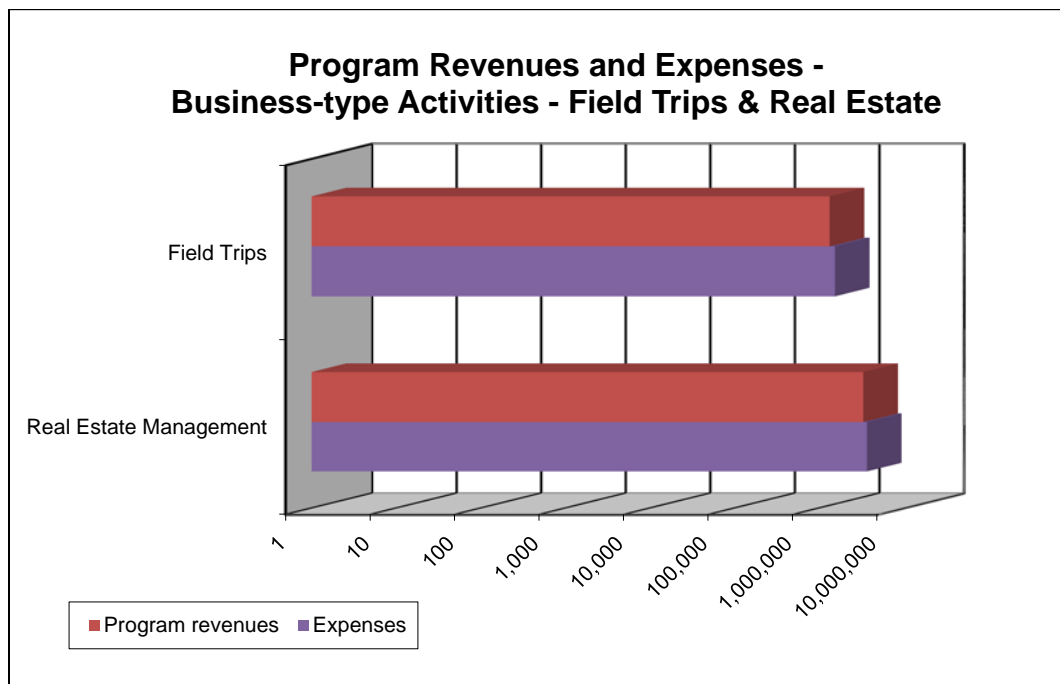


**Business-type activities.** Business-type activities decreased the Board's net position by \$3.9 million. Total revenues decreased \$10.7 million (12.5 percent) to \$70.1 million. Charges for services decreased \$11.1 million (30.5 percent) largely due to the effects of schools and cafeterias closing in March due to COVID-19. Nonoperating revenues in the Food Services fund experienced a slight increase due to increased participation in some of the Federal and Maryland State Department of Education (MSDE) programs.





Total expenses decreased \$5.8 million (7.2 percent). Food Services operating expenses remained relatively constant. Entrepreneurial activities expenses decreased \$5.1 million (43.0 percent), and Real Estate Management and Field Trips had a combined decrease of 0.7 million. Much of these decreases in expenses were due to the effects of COVID-19.



As for the entrepreneurial fund, the decrease was related to the contracting cost decreasing since the installing of bus cameras was all but completed in FY 2019. The entrepreneurial, real estate, and field trip enterprise funds all experienced operating losses in FY 2020. The loss in the entrepreneurial fund has

resulted in a net negative position as of June 30, 2020. It is expected that all three of these nonmajor enterprise funds will return to profitability after the setbacks from COVID-19.

### **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 \$65.7 million, an increase of \$10.0 million from the prior year. Fund balance restricted for the instructional TV program is \$0.5 million, a slight increase from the prior year.

The general fund is the principal operating fund of the Board. At June 30, 2020, fund balance was \$65.2 million. Nonspendable fund balance was \$5.8 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs increased by \$7.3 million to \$56.4 million. The reason for the increase was largely due to the increase in encumbrances. Unassigned fund balance increased by \$2.8 million to \$3.0 million at June 30, 2020. 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 2020 was \$2,687.5 million. The increase of \$83.7 million from the original budget was a result of \$31.3 million in supplemental grant funding, \$25.5 million in unspent grant expenditures carried forward from FY 2019 and \$26.9 million in prior year encumbrances.

Actual budgetary fund balance decreased from the prior year, mainly due to presentation. From FY 2020 going forward, the ending budgetary fund balance will match the governmental "unassigned" fund balance; after an annual adjustment for the change in the nonspendable component.

Actual revenues were \$54.3 million under budget for the year. This was the result of the \$54.5 million under budget on federal, Maryland and local grants and a corresponding increase of \$0.2 million in interest revenue over budget. The restricted revenue shortfall was comprised of \$1.8 million estimated restricted grant activity that did not materialize, and \$52.7 million in unrealized revenue for grants that carried forward into FY 2021.

Actual expenditures were \$84.6 million under budget. Restricted expenditures were \$57.8 million less than the budget, consisted of \$59.1 million in unspent funds for grants that carry forward into FY 2021, and \$1.3 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$26.8 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, 2020, the Board's investment in capital assets for its governmental and business-type activities amounted to \$3,299.3 million, net of accumulated depreciation. This amount represented a net increase of \$206.5 million or 6.7 percent from last year. Buildings 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 113.1	\$ 105.0	\$ -	\$ -	\$ 113.1	\$ 105.0
Buildings	2,585.5	2,311.9			2,585.5	2,311.9
Improvements other than buildings	391.9	338.2			391.9	338.2
Vehicles and equipment	89.4	84.3	5.8	6.6	95.2	90.9
Construction	113.6	246.8			113.6	246.8
<b>Total</b>	<b>\$3,293.5</b>	<b>\$3,086.3</b>	<b>\$ 5.8</b>	<b>\$ 6.6</b>	<b>\$ 3,299.3</b>	<b>\$ 3,092.8</b>

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2020, the Board added 51 classrooms associated with the construction of capital projects at Ashburton Elementary School (4) and Christa McAuliffe Elementary School (10), as well as the opening of Snowden Farm Elementary School (37). The Board added 14 classrooms through revitalization/expansion projects at Luxmanor Elementary School (10), Maryvale Elementary School/Carl Sandburg Learning Center (3), and Potomac Elementary School (1).

In FY 2021, the Board will add 27 classrooms associated with the construction of capital projects at Montgomery Knolls Elementary School (4), Pine Crest Elementary School (9), and Thomas W. Pyle Middle School (14). The Board will add 67 classrooms through the revitalization/expansion projects at Seneca Valley High School (56) and Tilden Middle School/Rock Terrace School (11).

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

**Long-term debt.** At June 30, 2020, the Board had \$74.6 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 \$45.3 million during FY 2020. Principal payments on existing capital leases were \$34.8 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)**

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 budget of \$78.5 million for MCPS reverted back to fully funding the actuarially determined contribution.

***Every Student Succeeds Act of 2015 (ESSA).*** On December 10, 2015, the ESSA was signed into law by President Barack 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 2020, the Montgomery County Board of Education received an increase of \$51.9 million (7.3 percent) in state aid compared to FY 2019. All *BTE Act* categories received increases. This increase of funding includes \$27.5 million from the Bridge to Excellence legislation and other forms of state aid in FY 2020. The size of the increase is due in large part to the fact that the MCPS enrollment increase totaling 954.0 students represented more than 42 percent of the statewide enrollment increase.

The Foundation Grant saw an increase of \$16.4 million while Limited English Proficiency saw an increase of \$3.3 million. Students with disabilities (formula) received an increase of \$2.1 million. The Geographic Cost of Education Index amount increased by \$1.1 million. Compensatory Education increased by \$1.5 million. Another state aid category for student transportation increased by \$3.2 million. The amount of state reimbursement for students with disabilities increased by \$2.1 million over FY 2019. Finally, MCPS received \$24.4 million for the first time in FY 2020 from the *Blueprint for Maryland's Future* legislation.

**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.

**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. In FY 2019, MCPS received \$18.6 million over MOE. This increased the cost per pupil to \$10,878. Finally, in FY 2020, MCPS received \$8.7 million over MOE. This increased the cost per pupil to \$10,923.

### **Potential Reduction to State Aid in FY 2021**

MSDE has advised that because of revenue concerns at the state level, Local Education Agencies (LEAs) such as MCPS should prepare for a reduction of state aid later this fiscal year. MSDE guidance was that LEAs should prepare for a reduction of state aid in FY 2021 equal to the growth in state aid compared to FY 2020. MCPS received a \$38,421,473 increase in state aid in FY 2021; therefore, based on the MSDE guidance, we should be prepared for a potential reduction of that amount for FY 2021 in winter or spring of 2021. It should be noted that any change to state aid would require the state legislature to pass a bill that changes how the formulas are set for the calculation of state aid, as they are set in legislation. This is concerning because the state legislature is not expected to meet in session until January 2021, and it may be several months before a vote is taken on such legislation. This may mean we would not know the outcome of this state aid reduction for FY 2021 until either the third or fourth quarter of the fiscal year. This action, if approved by the state legislature, would have substantial impact on our operating budget and would be extraordinarily difficult to institute so near the end of the fiscal year. The revenue concerns at the state level in FY 2021 can be expected to continue beginning with the FY 2022 budget.

Another concern is the potential loss of \$27,404,996 we have budgeted in FY 2021 for programs from the *Blueprint for Maryland's Future*. This *Blueprint* funding received from the state for FY 2020 and FY 2021 has been in addition to the funding provided by the formulas that comprise the majority of the state aid that MCPS receives annually. As this funding expires at the end of FY 2021, if the state legislature does not fund Kirwan Commission recommendations beyond FY 2021, another important revenue source for MCPS' operating budget will be lost. This funding has supported special education, prekindergarten expansion, struggling learners, mental health coordinators, and teacher salaries in MCPS for the past few years.

**Potential Impact to State Aid and the Local Contribution in FY 2022 from Lower FY 2021 Enrollment**

Both state aid and the local contribution for a fiscal year such as for FY 2022 is calculated by using the official enrollment from the previous school year, which, in this case would be the official enrollment on September 30, 2020, or a date in FY 2021. The official Kindergarten–12 enrollment reported to the state for the 2019–2020 school year was 160,379. Early estimates at the start of the 2020–2021 school year indicate that enrollment is approximately 2,400 students less than in the previous year. MCPS received approximately \$5,000 per student in state aid for FY 2021. The decrease of 2,400 students in the 2020–2021 school year based on \$5,000 per student could result in approximately \$12.0 million less in state aid received for FY 2022. The state aid formulas are complex; one factor is Montgomery County's wealth relative to that of the state's other counties; therefore, it is important to note that this figure only is an estimate.

For the local contribution from Montgomery County, MCPS received \$10,923 per student for FY 2021 based on the MOE law. A decrease of 2,400 students in the 2020–2021 school year multiplied by \$10,923 per student could result in approximately \$26.2 million less in the local contribution for FY 2022 compared to the current fiscal year. In summary, the potential loss of state aid (\$12.0 million) and the local contribution (\$26.2 million) could result in a combined loss of \$38.2 million in revenue for FY 2022 from the state and County.

**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 Associate Superintendent of Finance, Board of Education of Montgomery County, 850 Hungerford Drive, Room 167, Rockville, Maryland 20850.





MCPS Latin Dance Competition, November 2019



# **BASIC FINANCIAL STATEMENTS**

Board of Education of Montgomery County  
June 30, 2020

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Educational Foundation
<b>Assets</b>				
Equity in pooled cash and investments	\$ 94,463,041	\$ -	\$ 94,463,041	\$ -
Cash and cash equivalents		9,981,413	9,981,413	1,207,651
Investments - cash equivalents	98,839,395		98,839,395	6,460,749
Accounts receivable:				
Montgomery County	58,496,875	595,089	59,091,964	
State of Maryland	17,974,661	809	17,975,470	
Federal government	12,885,924	3,210,829	16,096,753	
Other	64,593,569	705,835	65,299,404	
Due from component unit	168,669		168,669	
Internal balances	532,366	(532,366)		
Inventories	5,451,230	4,795,268	10,246,498	
Prepays	355,190		355,190	
Due from employees	70,144		70,144	
Capital assets (not being depreciated):				
Land	113,117,160		113,117,160	
Construction in progress	113,645,794		113,645,794	
Capital assets (net of accumulated depreciation):				
Buildings and additions	2,585,475,309		2,585,475,309	
Improvements other than buildings	391,895,195		391,895,195	
Vehicles and equipment	89,407,180	5,750,880	95,158,060	
<b>Total assets</b>	<u>3,647,371,702</u>	<u>24,507,757</u>	<u>3,671,879,459</u>	<u>7,668,400</u>
<b>Deferred Outflows Of Resources</b>				
Pension deferrals	257,231,897		257,231,897	
OPEB deferrals	451,132,372		451,132,372	
<b>Total deferred outflows of resources</b>	<u>708,364,269</u>	<u>-</u>	<u>708,364,269</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	213,440,301	1,091,680	214,531,981	
Due to primary government				168,669
Due to external parties	37,612,991		37,612,991	
Unearned revenue	5,532,262	3,934,144	9,466,406	
Noncurrent liabilities:				
Due within one year	37,336,934	223,134	37,560,068	
Due in more than one year	3,360,538,827	3,429,217	3,363,968,044	
<b>Total liabilities</b>	<u>3,654,461,315</u>	<u>8,678,175</u>	<u>3,663,139,490</u>	<u>168,669</u>
<b>Deferred Inflows Of Resources</b>				
Pension deferrals	37,720,165		37,720,165	
OPEB deferrals	417,295,098		417,295,098	
<b>Total deferred inflows of resources</b>	<u>455,015,263</u>	<u>-</u>	<u>455,015,263</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	3,253,095,975	5,667,833	3,258,763,808	
Restricted - instructional programs and scholarships	469,213		469,213	1,803,314
Unrestricted	(3,007,305,795)	10,161,748	(2,997,144,047)	5,696,417
<b>Total net position</b>	<u>\$ 246,259,393</u>	<u>\$ 15,829,581</u>	<u>\$ 262,088,974</u>	<u>\$ 7,499,731</u>

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, 2020

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	\$ 1,825,108,205	\$ 2,730,891	\$ 50,855,667	\$ 44,713,006
Special education	486,268,182	237,742	47,531,832	
School administration	217,320,615		3,165,393	
Student personnel services	17,476,467		1,317,524	
Health services	722			
<b>Total instruction</b>	<u>2,546,174,191</u>	<u>2,968,633</u>	<u>102,870,416</u>	<u>44,713,006</u>
Support services:				
Student transportation	140,236,209		1,148,428	
Operation of plant	179,437,815			
Maintenance of plant	73,029,852			16,970,550
Administration	76,050,285		341,787	6,066,852
Community services	3,305,531		2,825,944	
Interest on capital leases	1,589,522			
<b>Total support services</b>	<u>473,649,214</u>	<u>-</u>	<u>4,316,158</u>	<u>23,037,402</u>
<b>Total governmental activities</b>	<u>3,019,823,405</u>	<u>2,968,633</u>	<u>107,186,574</u>	<u>67,750,408</u>
Business-type activities:				
Food services	60,678,747	12,830,168	44,622,910	242,780
Real estate management	3,684,085	3,340,553		
Field trips	1,541,053	1,334,742		
Entrepreneurial activities	8,107,610	7,649,091		
<b>Total business-type activities</b>	<u>74,011,495</u>	<u>25,154,554</u>	<u>44,622,910</u>	<u>242,780</u>
<b>Total primary government</b>	<u>\$ 3,093,834,900</u>	<u>\$ 28,123,187</u>	<u>\$ 151,809,484</u>	<u>\$ 67,993,188</u>
<b>Component Unit:</b>				
Educational Foundation	\$ 741,722	\$ -	\$ 1,830,427	\$ -

**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

Governmental Activities	Primary Government		Component Unit Educational Foundation
	Business-Type Activities	Total	
\$ (1,726,808,641)	\$ -	\$ (1,726,808,641)	\$ -
(438,498,608)		(438,498,608)	
(214,155,222)		(214,155,222)	
(16,158,943)		(16,158,943)	
(722)		(722)	
<u>(2,395,622,136)</u>	<u>-</u>	<u>(2,395,622,136)</u>	<u>-</u>
(139,087,782)		(139,087,782)	
(179,437,815)		(179,437,815)	
(56,059,302)		(56,059,302)	
(69,641,646)		(69,641,646)	
(479,588)		(479,588)	
(1,589,522)		(1,589,522)	
<u>(446,295,654)</u>	<u>-</u>	<u>(446,295,654)</u>	<u>-</u>
<u>(2,841,917,790)</u>	<u>-</u>	<u>(2,841,917,790)</u>	<u>-</u>
	(2,982,889)	(2,982,889)	
	(343,532)	(343,532)	
	(206,311)	(206,311)	
	(458,519)	(458,519)	
<u>-</u>	<u>(3,991,251)</u>	<u>(3,991,251)</u>	<u>-</u>
<u>(2,841,917,790)</u>	<u>(3,991,251)</u>	<u>(2,845,909,041)</u>	<u>-</u>
			<u>1,088,705</u>
1,942,690,403		1,942,690,403	
965,884,095		965,884,095	
26,585,270		26,585,270	
11,845,561	136,436	11,981,997	
<u>2,947,005,329</u>	<u>136,436</u>	<u>2,947,141,765</u>	<u>-</u>
105,087,539	(3,854,815)	101,232,724	1,088,705
141,171,854	19,684,396	160,856,250	6,411,026
<u>\$ 246,259,393</u>	<u>\$ 15,829,581</u>	<u>\$ 262,088,974</u>	<u>\$ 7,499,731</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash and investments	\$ 94,463,041	\$ -	\$ -	\$ 94,463,041
Accounts receivable:				
Montgomery County		58,496,875		58,496,875
State of Maryland	11,113,823	6,860,838		17,974,661
Federal government	12,191,411	694,513		12,885,924
Other	58,732,947	2,067,817		60,800,764
Due from other funds	29,254,999	1,060,739	527,249	30,842,987
Due from fiduciary funds	103,374			103,374
Due from component unit	168,669			168,669
Inventories	5,451,230			5,451,230
Prepays	355,190			355,190
Due from employees	70,144			70,144
<b>Total assets</b>	<u>\$ 211,904,828</u>	<u>\$ 69,180,782</u>	<u>\$ 527,249</u>	<u>\$ 281,612,859</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 54,813,052	\$ 26,931,885	\$ 50,370	\$ 81,795,307
Retainage payable		16,307,466		16,307,466
Accrued salaries and withholdings	84,223,151			84,223,151
Due to other funds	2,114,797	25,941,431	7,666	28,063,894
Unearned revenue	5,532,262			5,532,262
<b>Total liabilities</b>	<u>146,683,262</u>	<u>69,180,782</u>	<u>58,036</u>	<u>215,922,080</u>
<b>Fund balances:</b>				
Nonspendable	5,806,420			5,806,420
Restricted			469,213	469,213
Assigned	56,400,537			56,400,537
Unassigned	3,014,609			3,014,609
<b>Total fund balances</b>	<u>65,221,566</u>	<u>-</u>	<u>469,213</u>	<u>65,690,779</u>
<b>Total liabilities and fund balances</b>	<u>\$ 211,904,828</u>	<u>\$ 69,180,782</u>	<u>\$ 527,249</u>	<u>\$ 281,612,859</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, 2020

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

Total fund balances - governmental funds	\$	65,690,779
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	\$	4,941,937,586
Accumulated depreciation is		<u>(1,648,396,948)</u>
		3,293,540,638
Pension related deferred outflows of resources		257,231,897
OPEB related deferred outflows of resources		451,132,372
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.		
		31,554,731
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	\$	(74,045,798)
Compensated absences		(153,322,745)
Net pension liability		(554,333,453)
Net OPEB liability		<u>(2,616,173,765)</u>
		(3,397,875,761)
Pension related deferred inflows of resources		(37,720,165)
OPEB related deferred inflows of resources		<u>(417,295,098)</u>
Total net position - governmental activities	<u>\$</u>	<u>246,259,393</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, 2020

	General	Capital Projects	Nonmajor Governmental Fund -Special Revenue	Total Governmental Funds
<b>Revenues:</b>				
Montgomery County	\$ 1,699,625,241	\$ 307,213,220	\$ -	\$ 2,006,838,461
State of Maryland	925,931,773	61,593,934		987,525,707
Federal government	112,557,459	694,513		113,251,972
Other sources	5,129,540	2,223,089	1,799,775	9,152,404
Total revenues	<u>2,743,244,013</u>	<u>371,724,756</u>	<u>1,799,775</u>	<u>3,116,768,544</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	55,151,646			55,151,646
Mid-level administration	154,180,405			154,180,405
Instructional salaries and wages	1,036,247,907			1,036,247,907
Instructional textbooks and supplies	32,318,483			32,318,483
Other instructional costs	18,876,983			18,876,983
Special education	360,469,160			360,469,160
Student personnel services	12,270,907			12,270,907
Health services	722			722
Student transportation	109,379,844			109,379,844
Operation of plant	142,592,029			142,592,029
Maintenance of plant	39,130,545			39,130,545
Fixed charges	771,779,226			771,779,226
Community services	824,584		1,725,802	2,550,386
<b>Debt service:</b>				
Capital lease principal	17,798,575	16,789,303		34,587,878
Capital lease interest	1,091,473	498,049		1,589,522
Capital outlay		380,697,053		380,697,053
Total expenditures	<u>2,752,112,489</u>	<u>397,984,405</u>	<u>1,725,802</u>	<u>3,151,822,696</u>
Excess (deficiency) of revenues over expenditures	<u>(8,868,476)</u>	<u>(26,259,650)</u>	<u>73,973</u>	<u>(35,054,153)</u>
<b>Other financing sources:</b>				
Capital lease financing	18,759,327	26,259,649		45,018,976
Total other financing sources	<u>18,759,327</u>	<u>26,259,649</u>	<u>-</u>	<u>45,018,976</u>
Net change in fund balances	9,890,851	(0)	73,973	9,964,824
Fund balances - beginning	<u>55,330,716</u>	<u>-</u>	<u>395,240</u>	<u>55,725,956</u>
Fund balances - ending	<u>\$ 65,221,567</u>	<u>\$ (0)</u>	<u>\$ 469,213</u>	<u>\$ 65,690,780</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, 2020

Total net change in fund balances - governmental funds \$ 9,964,824

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 (\$380,697,056 less non-capitalized items of \$57,750,408) plus capital outlays for general fund assets (\$18,991,547) exceed depreciation expense (\$120,129,845) in the current period. 221,808,350

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets (\$641,561) and the donation of land from developers (\$8,142,400) is to increase net position. 7,500,839

Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities 115,201,749

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 86,941,255

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 (\$45,018,976) exceeded principal payments (\$34,587,878) (10,431,098)

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	\$ (10,086,660)	
Pension expense	(24,089,058)	
OPEB expense	(291,221,479)	
		(325,397,197)

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. (501,183)

Change in net position of governmental activities \$ 105,087,539

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, 2020

	Budgeted Amounts		Actual Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	Encumbrances	Total	
<b>Revenues:</b>						
Montgomery County	\$ 1,726,825,241	\$ 1,726,825,241	\$ 1,726,825,241	\$ -	\$ 1,726,825,241	\$ -
State of Maryland	768,343,813	768,343,813	763,383,130		763,383,130	(4,960,683)
Federal government	78,760,937	135,620,810	86,010,905		86,010,905	(49,609,905)
Other sources	4,883,017	4,883,017	5,129,540		5,129,540	246,523
<b>Total revenues</b>	<b>2,578,813,008</b>	<b>2,635,672,881</b>	<b>2,581,348,816</b>		<b>2,581,348,816</b>	<b>(54,324,065)</b>
<b>Expenditures and encumbrances:</b>						
<b>Current:</b>						
Administration	56,084,530	63,186,416	55,294,261	6,117,616	61,411,877	1,774,539
Mid-level administration	155,129,371	157,646,585	154,180,405	924,675	155,105,080	2,541,505
Instructional salaries and wages	1,056,492,456	1,072,751,966	1,036,247,907		1,036,247,907	36,504,059
Instructional textbooks and supplies	30,635,413	60,998,599	32,318,483	14,396,058	46,714,541	14,284,058
Other instructional costs	19,632,889	26,577,102	19,830,086	244,650	20,074,736	6,502,366
Special education	362,094,167	372,175,566	360,469,160	4,092,540	364,561,700	7,613,866
Student personnel services	12,286,317	12,476,393	12,270,907	3,658	12,274,565	201,828
Health services	1,198,504	1,198,504	722		722	1,197,782
Student transportation	113,256,108	114,039,743	108,798,775	232,058	109,030,833	5,008,910
Operation of plant	143,934,553	147,976,543	141,243,725	2,629,173	143,872,898	4,103,645
Maintenance of plant	42,192,177	43,248,575	40,094,921	2,757,059	42,851,980	396,595
Fixed charges	609,963,794	613,989,539	609,884,029		609,884,029	4,105,510
Community services	912,729	1,188,145	824,584	3,049	827,633	360,512
<b>Total expenditures and encumbrances</b>	<b>2,603,813,008</b>	<b>2,687,453,676</b>	<b>2,571,457,965</b>	<b>31,400,537</b>	<b>2,602,858,502</b>	<b>84,595,174</b>
Excess (deficiency) of revenues over expenditures and encumbrances	(25,000,000)	(51,780,795)	9,890,851	(31,400,537)	(21,509,686)	30,271,109
<b>Other financing sources</b>						
Budgeted use of fund balance	25,000,000	25,000,000				(25,000,000)
Prior-year encumbrances		26,780,795			26,780,795	
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>			<b>5,271,109</b>	<b>5,271,109</b>
Fund balance - beginning					30,443,689	30,443,689
(Increase) in Nonspendable Fund Balance - Inventories					(7,700,189)	(7,700,189)
(Use) of Fund Balance in Subsequent Year					(25,000,000)	(25,000,000)
<b>Fund balance - ending</b>					<b>\$ 3,014,609</b>	<b>\$ 3,014,609</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, 2020

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	9,981,413		9,981,413	
Investments - cash equivalents				98,839,395
Accounts receivable:				
Montgomery County	595,089		595,089	
State of Maryland	809		809	
Federal government	3,210,829		3,210,829	
Other		705,835	705,835	3,792,805
Due from other funds	1,496,259	960,357	2,456,616	
Inventories	4,795,268		4,795,268	
Total current assets	<u>20,079,667</u>	<u>1,666,192</u>	<u>21,745,859</u>	<u>102,632,200</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	5,688,378	62,502	5,750,880	
Total noncurrent assets	<u>5,688,378</u>	<u>62,502</u>	<u>5,750,880</u>	<u>-</u>
Total assets	<u>25,768,045</u>	<u>1,728,694</u>	<u>27,496,739</u>	<u>102,632,200</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	799,924	291,756	1,091,680	
Claims payable				22,260,986
Due to employees, advance premium withholdings				8,853,391
Due to other funds	1,445,272	1,543,711	2,988,983	2,246,726
Due to fiduciary funds				37,716,365
Unearned revenue	3,934,144		3,934,144	
Capital leases - current	217,508		217,508	
Compensated absences - current	5,626		5,626	
Total current liabilities	<u>6,402,474</u>	<u>1,835,467</u>	<u>8,237,941</u>	<u>71,077,468</u>
Noncurrent liabilities:				
Capital leases payable	312,746		312,746	
Compensated absences	2,704,141	412,330	3,116,471	
Total noncurrent liabilities	<u>3,016,887</u>	<u>412,330</u>	<u>3,429,217</u>	<u>-</u>
Total liabilities	<u>9,419,361</u>	<u>2,247,797</u>	<u>11,667,158</u>	<u>71,077,468</u>
<b>Net Position</b>				
Net investment in capital assets	5,605,331	62,502	5,667,833	
Unrestricted (deficit)	10,743,353	(581,605)	10,161,748	31,554,732
Total net position	<u>\$ 16,348,684</u>	<u>\$ (519,103)</u>	<u>\$ 15,829,581</u>	<u>\$ 31,554,732</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, 2020

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 12,830,168	\$ -	\$ 12,830,168	\$ -
Rent and fees		12,324,386	12,324,386	
Employer's contributions				294,570,528
Members' contributions				51,080,194
Total operating revenues	<u>12,830,168</u>	<u>12,324,386</u>	<u>25,154,554</u>	<u>345,650,722</u>
Operating expenses:				
Salaries and wages	24,495,215	2,984,917	27,480,132	
Contracted services	1,171,337	6,179,512	7,350,849	
Supplies and materials	1,397,499	636,325	2,033,824	
Food purchases	16,200,503		16,200,503	
USDA commodities	3,973,402		3,973,402	
Other charges	12,406,138	3,500,826	15,906,964	1,628,775
Depreciation	1,034,653	31,168	1,065,821	
Benefits paid to plan members			-	287,842,238
Premiums paid to insurance companies				57,127,174
Total operating expenses	<u>60,678,747</u>	<u>13,332,748</u>	<u>74,011,495</u>	<u>346,598,187</u>
Operating income (loss)	<u>(47,848,579)</u>	<u>(1,008,362)</u>	<u>(48,856,941)</u>	<u>(947,466)</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	38,420,771		38,420,771	
State funds	2,226,240		2,226,240	
USDA commodities	3,975,899		3,975,899	
Investment income	136,436		136,436	446,282
Total nonoperating revenues	<u>44,759,346</u>	<u>-</u>	<u>44,759,346</u>	<u>446,282</u>
Income (loss) before capital contributions and transfers	(3,089,233)	(1,008,362)	(4,097,595)	(501,183)
Capital contributions - equipment	<u>242,780</u>		<u>242,780</u>	
Change in net position	(2,846,453)	(1,008,362)	(3,854,815)	(501,183)
Total net position - beginning	19,195,137	489,259	19,684,396	32,055,915
Total net position - ending	<u>\$ 16,348,684</u>	<u>\$ (519,103)</u>	<u>\$ 15,829,581</u>	<u>\$ 31,554,732</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, 2020

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 15,945,892	\$ 22,354,462	\$ 38,300,353	\$ 51,662,006
Receipts from assessments made to other funds				300,709,623
Payments to suppliers	(20,183,309)	(16,499,128)	(36,682,437)	(58,285,305)
Payments to employees	(26,543,940)	(3,185,274)	(29,729,213)	
Payments for insurance claims				(287,608,703)
Payments for assessments made by other funds	(9,529,210)	(419,913)	(9,949,123)	
Payments for other operating expenses	(559,814)	(2,854,319)	(3,414,132)	(1,628,775)
Net cash provided (used by) operating activities	<u>(40,870,381)</u>	<u>(604,172)</u>	<u>(41,474,552)</u>	<u>4,848,846</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating grants received	39,236,504		39,236,504	
Transfers (to) from other funds				9,462,207
Net cash provided (used by) noncapital financing activities	<u>39,236,504</u>	<u>-</u>	<u>39,236,504</u>	<u>9,462,207</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital leases	274,360		274,360	
Purchases of capital assets	24,074		24,074	
Principal paid on capital leases	(238,624)	-	(238,624)	
Net cash provided (used by) capital and related financing activities	<u>59,810</u>	<u>-</u>	<u>59,810</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	136,436		136,436	3,387,500
Net cash provided by investing activities	<u>136,436</u>	<u>-</u>	<u>136,436</u>	<u>3,387,500</u>
Net increase (decrease) in cash and cash equivalents	(1,437,631)	(604,172)	(2,041,803)	17,698,553
Cash and cash equivalents - beginning	11,419,045	604,172	12,023,217	81,140,843
Cash and cash equivalents - ending	<u>\$ 9,981,414</u>	<u>\$ -</u>	<u>\$ 9,981,415</u>	<u>\$ 98,839,396</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (47,848,579)	\$ (1,008,362)	\$ (48,856,941)	\$ (947,466)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,034,653	31,168	1,065,821	
USDA commodities used	3,973,402		3,973,402	
Effects of changes in operating assets and liabilities:				
Receivables	2,017	10,584,514	10,586,531	
Due from other funds				6,139,095
Non USDA inventories	(2,084,820)		(2,084,820)	
Accounts payable	390,216	(1,475,508)	(1,085,292)	(1,158,131)
Claims payable				233,536
Advance premium withholdings				581,812
Due to other funds	280,634	(8,207,783)	(7,927,149)	
Unearned revenue	3,113,706	(554,437)	2,559,269	
Compensated absences	268,389	26,236	294,625	
Net cash provided (used by) operating activities	<u>\$ (40,870,382)</u>	<u>\$ (604,172)</u>	<u>\$ (41,474,553)</u>	<u>\$ 4,848,846</u>
<b>Noncash investing, capital and financing activities:</b>				
Capital contributions of equipment	\$ 242,780	\$ -	\$ 242,780	\$ -
USDA commodities received	(3,973,402)		(3,973,402)	-

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, 2020

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
<b>Assets</b>		
Cash	\$ <u>                  -</u>	\$ <u>15,356,654</u>
Investments:		
Global equities	1,015,767,688	
Fixed income securities	500,887,678	
Real estate	90,088,584	
Alternative investments	179,510,987	
Short-term investments/CRHBT	<u>583,906,462</u>	
Total investments	2,370,161,399	<u>                  -</u>
Accounts receivable	2,061,071	2,198,686
Due from Internal Service Fund	37,716,365	
Inventories		174,908
Total assets	<u>\$ 2,409,938,836</u>	<u>\$ 17,730,248</u>
<b>Liabilities</b>		
Accounts payable	86,572	1,896,409
Claims payable	9,221,811	
Due to General Fund	103,374	
Due to student groups		<u>15,833,839</u>
Total liabilities	<u>\$ 9,411,757</u>	<u>\$ 17,730,248</u>
<b>Net Position</b>		
Restricted for pension and other postemployment benefits	<u>\$ 2,400,527,079</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, 2020

	Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 202,143,004
Members	67,817,252
Federal government - Medicare Part D	<u>26,546,554</u>
Total contributions	<u>296,506,810</u>
Investment earnings:	
Net increase in fair value of investments	36,982,781
Interest and dividends	<u>14,149,466</u>
Total investment earnings	<u>51,132,247</u>
Less investment expense:	
Investment fees and other	<u>(9,146,722)</u>
Total investment expense	<u>(9,146,722)</u>
Net investment earnings	<u>41,985,525</u>
Total additions	<u>338,492,335</u>
<b>DEDUCTIONS</b>	
Benefits paid to plan members	218,105,418
Premiums paid to insurance companies	18,893,883
Administrative expenses	<u>1,354,256</u>
Total deductions	<u>238,353,557</u>
Change in net position	100,138,778
Net position - beginning	<u>2,300,388,301</u>
Net position - ending	<u><u>\$ 2,400,527,079</u></u>

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



# **NOTES TO THE FINANCIAL STATEMENT**

Board of Education of Montgomery County  
June 30, 2020



BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

Note I	Summary of Significant Accounting Policies
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BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**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 Associate Superintendent of Finance, 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, 2020

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 208 cafeterias and the central production facility, providing for the preparation and sale of meals to students, other agencies, and customers.

Additionally, the Board reports the following fund types:

- The special revenue fund accounts for the use of Cable TV franchise fees that are legally restricted to expenditure for specific purposes.
- The internal service fund accounts for the financing of active employee health benefits provided to other funds of the government on a cost reimbursement basis.
- The pension and other employee benefits trust funds account for the activities of the Employees' Retirement and Pension System that accumulates resources for pension benefit payments to qualified employees, and the Board's interest in the Consolidated Retiree Health Benefit Trust (CRHBT) that accumulates resources for other postemployment benefits (OPEB).
- The agency fund accounts for assets held by elementary and secondary schools for student groups. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

the Food Services, 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, 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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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.

The Foundation invests in an external investment pool and public traded mutual 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 Northern Trust publicly traded mutual funds is stated at fair value.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**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, inventories are reported at cost. For 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

**H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position reports 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 reports a separate section

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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.

**J. LONG-TERM OBLIGATIONS**

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

**K. FUND BALANCES**

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

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

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

**Committed** – Amounts that can be used only for specific purposes determined by formal action of the Board (the highest level of decision-making authority). Formal action of the Board would be those actions which are voted on at public Board meetings that are in compliance with Maryland law. Similar action of

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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 can only be used 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.

Details about the FY 2020 amounts for each of the classifications described above can be found on page 65 of the footnotes.

As for the Governmental-Wide Fund Balance, the Nonspendable portion of the Governmental Fund Balance is reclassified as “Net investment in capital assets.” The restricted classification remains as is, and the only other component of the Government-Wide Fund Balance is “Unrestricted.”

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.



BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

L. 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 will have a significant 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 financial statements starting with the fiscal year that ends December 31, 2020 (FY 2021). The Board was planning on implementation in FY 2020, but will now adopt the revised effective date (due to COVID-19) and will implement in FY 2021.

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 financial statements starting with the fiscal year that ends June 30, 2022 (FY 2022). The Board is currently evaluating the effect of implementation of this Statement.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

## 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.

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.
- 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	\$ 2,581,348,816	\$ 2,602,858,502	-	\$ (21,509,686)
Reconciling items:				
2020 Encumbrances outstanding		(31,400,537)		31,400,537
State of Maryland retirement contributions	162,548,643	162,548,643		
Montgomery County OPEB contributions	(27,200,000)	(27,200,000)		
Federal Medicare Part D contributions	26,546,554	26,546,554		
Capital lease financing		18,759,327	18,759,327	
As reported – GAAP basis	<u>\$ 2,743,244,013</u>	<u>\$ 2,752,112,489</u>	<u>\$ 18,759,327</u>	<u>\$ 9,890,851</u>

Governmental funds encumbrances outstanding at June 30, 2020 include \$31,400,537 for the General 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, 2020, \$2,637,495 of such purchase orders had been issued.

### III. DEPOSITS AND INVESTMENTS

Cash and investments at June 30, 2020 are summarized as follows:

	<u>Primary Government (including fiduciary)</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 94,463,041	\$ -
Cash and cash equivalents	9,981,413	1,207,651
Cash-fiduciary funds	15,356,654	
Investments – cash equivalents	98,839,395	6,460,749
Investments-fiduciary funds	2,370,161,399	
Total	<u>\$ 2,588,801,902</u>	<u>\$ 7,668,400</u>
Deposits and Investments Summary:		
Deposits	\$ 119,798,375	1,207,651
Investments	2,469,000,794	6,460,749
Cash on hand	2,733	
Total	<u>\$ 2,588,801,902</u>	<u>\$ 7,668,400</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, 2020, the reported balance of the Board's deposits was \$119,798,375 and the bank balance was \$122,661,825. 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, 2020 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 1,015,767,688
Fixed income securities	500,887,678
Real estate	90,088,584
Alternative investments	179,510,987
Subtotal Pension Trust Investments	<u>1,786,254,937</u>
OPEB Related Investments:	
Investment in CRHBT	538,042,355
Subtotal OPEB Related Investments	<u>\$ 538,042,355</u>
Other Investments:	
Cash equivalents (Pension and Internal Service Fund)	144,703,502
Total Investments	<u>\$ 2,469,000,794</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 2020, 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 higher the duration of a bond, the greater its price volatility should be in response to changes in interest rates.

As of June 30, 2020, 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	\$ 389,339,025	5.8
Other fixed income	121,762,760	3.1
Total	<u>\$ 511,101,785</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, 2020, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
AAA	3.6%	\$ 18,558,253
AA	49.1%	250,745,192
A	9.8%	50,029,423
BBB	16.9%	86,436,687
BB and below	8.8%	45,098,546
Not rated	11.8%	60,233,684
Total	<u>100.0%</u>	<u>\$ 511,101,785</u>

During FY 2020, individual holdings in the investment portfolios did not exceed policy guidelines. About \$14.5 million of the fixed income portfolio cannot be readily redeemed.

*Foreign currency risk.* The Pension Trust's exposure to foreign currency risk is derived from its investments in vehicles that have positions in securities denominated in foreign currencies. The Board's direct foreign currency risk at June 30, 2020, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
Argentina Peso	\$ 38,969	\$ -	\$ 38,969
Australian Dollar	335,728		335,728
Brazil Real	1,075,770		1,075,770
Canadian Dollar	3,276,817		3,276,817
Euro Currency Unit	(3,929,453)	8,354,926	4,425,473
Indian Rupee	160,140		160,140
Indonesian Rupiah	991,090		991,090
Japanese Yen	(208)		(208)
Mexican Peso	3,091,840		3,091,840
Pound Sterling	456,017		456,017
Russian Ruble (new)	2,189,194		2,189,194
Total	<u>\$ 7,685,904</u>	<u>\$ 8,354,926</u>	<u>\$ 16,040,830</u>

*Commitments.* At June 30, 2020, unfunded commitments were \$149,269,011 to private equity funds and private real estate funds.

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

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

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- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The Board has the following recurring fair value measurements as of June 30, 2020:

Investments by Fair Value Level	June 30, 2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt Securities:				
Treasury Inflation Protected Securities	\$ 4,666,327	\$ 4,666,327	\$ -	\$ -
US Treasuries Securities	13,510,507	13,510,507		
US Agencies	173,918		173,918	
Asset Backed	3,386,186		3,386,186	
Corporate Bonds	45,548,265		45,548,265	
Municipal Bonds	584,717		584,717	
Mortgage Backed Securities	30,212,237		30,208,840	3,397
International Government Bonds	9,227,068		9,227,068	
Futures Contracts	204,581	204,581		
Cash & Cash Equivalents*	144,703,502	138,817,906	1,051,561	4,834,035
<b>Total Investment by Fair Value Level</b>	<b>\$ 252,217,308</b>	<b>\$ 157,199,321</b>	<b>\$ 90,180,555</b>	<b>\$ 4,837,432</b>

Investments Measured at the NAV		Unfunded Commitments	Redemption Frequency	Redemption Received Period
Global Equities				
Commingled global equity funds	1,015,767,688	-	Daily	T+2, T+2 settlement
Fixed Income Securities				
Commingled bond funds	393,373,872	-	Daily	T+2, T+2 settlement
Real Estate				
Private real estate funds	90,088,584	33,863,704	Illiquid or Quarterly	60 days for quarterly redemption
Alternative Investments				
Private equity	78,106,413	115,405,307	Illiquid	
Hedge funds	101,404,574	-	Monthly, quarterly, or annual	30-90 days
Other Investments				
Investment in CRHBT	538,042,355	-		
<b>Total Investments Measured at the NAV</b>	<b>\$ 2,216,783,486</b>	<b>\$ 149,269,011</b>		
<b>Total Investments</b>	<b>\$ 2,469,000,794</b>			

\* 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.

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 investments consist 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 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 objectives of the commingled bond funds is to provide low risk exposure, diversification, and increase yield to the portfolio. The investments shall be invested in a combination of passively and actively managed strategies. The passive strategies are designed to track the return of the Bloomberg Barclays Intermediate Aggregate Bond Index. The active strategies are designed to track the return of primary benchmarks with a low tracking error (the standard deviation of the difference between the returns of an investment portfolio and the underlying benchmark). 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 offer 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

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private equity returns to a public equity index will naturally result in large performance differences in 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 June 30, 2020, the primary government had \$2,733 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 amounts of interfund receivables and payables for each of the funds below can be found on the balance sheets on pages 36, 41, and 104 of this CAFR. The composition of interfund receivables and payables as of June 30, 2020, is as follows:

Funds Reflecting a Receivable	Funds Reflecting a Payable								Total
	General	Capital Projects	Instruc. TV	Food Services	Real Estate	Field Trip	Entrepreneurial	Internal Service	
General	\$ -	\$ 25,552,486	\$ -	\$ -	\$ 66,669	\$ -	\$ 1,389,118	\$ 2,246,726	\$ 29,254,999
Capital Projects			7,636	1,053,103					1,060,739
Instructional TV	527,249								527,249
Food Services	1,496,259								1,496,259
Real Estate		41,274		2,225					43,499
Field Trip	91,289	11,805		1,721	82,687				187,502
Entrepreneurial		335,866	30	388,223	1,660	3,577			729,356
<b>Total</b>	<b>\$ 2,114,797</b>	<b>\$ 25,941,431</b>	<b>\$ 7,666</b>	<b>\$ 1,445,272</b>	<b>\$ 151,016</b>	<b>\$ 3,577</b>	<b>\$ 1,389,118</b>	<b>\$ 2,246,726</b>	<b>\$ 33,299,603</b>

**V. DUE FROM EMPLOYEES**

The \$70,144 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, 2020 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	\$ 104,974,960	\$ 8,142,200	\$ -	\$ 113,117,160
Construction in progress	<u>246,783,516</u>	<u>277,494,122</u>	<u>410,631,844</u>	<u>113,645,794</u>
Total nondepreciable capital assets	<u>351,758,476</u>	<u>285,636,322</u>	<u>410,631,844</u>	<u>226,762,954</u>
Depreciable capital assets:				
Buildings and improvements	3,645,727,955	373,023,641	4,924,858	4,013,826,738
Site improvements	432,602,135	61,617,080		494,219,215
Vehicles and equipment	<u>193,265,261</u>	<u>18,400,946</u>	<u>4,537,528</u>	<u>207,128,679</u>
Total depreciable capital assets	<u>4,271,595,351</u>	<u>453,041,667</u>	<u>9,462,386</u>	<u>4,715,174,632</u>
Less accumulated depreciation for:				
Buildings and improvements	1,333,863,916	98,780,336	4,292,820	1,428,351,432
Site improvements	94,415,593	7,908,427		102,324,020
Vehicles and equipment	<u>108,808,419</u>	<u>13,441,082</u>	<u>4,528,005</u>	<u>117,721,496</u>
Total accumulated depreciation	<u>1,537,087,928</u>	<u>120,129,845</u>	<u>8,820,825</u>	<u>1,648,396,948</u>
Total depreciable capital assets, net	<u>2,734,507,423</u>	<u>332,911,822</u>	<u>641,561</u>	<u>3,066,777,684</u>
Government activities capital assets, net	<u>\$ 3,086,265,899</u>	<u>\$ 618,548,144</u>	<u>\$ 411,273,405</u>	<u>\$ 3,293,540,638</u>
<b>Business-Type Activities:</b>				
Depreciable capital assets:				
Vehicles and equipment	<u>21,427,510</u>	<u>283,538</u>	<u>175,493</u>	<u>21,535,555</u>
Total depreciable capital assets	<u>21,427,510</u>	<u>283,538</u>	<u>175,493</u>	<u>21,535,555</u>
Less accumulated depreciation for:				
Vehicles and equipment	<u>14,870,275</u>	<u>1,065,821</u>	<u>151,421</u>	<u>15,784,675</u>
Total accumulated depreciation	<u>14,870,275</u>	<u>1,065,821</u>	<u>151,421</u>	<u>15,784,675</u>
Business-type activities capital assets, net	<u>\$ 6,557,235</u>	<u>\$ (782,283)</u>	<u>\$ 24,072</u>	<u>\$ 5,750,880</u>

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

<b>Governmental Activities:</b>	
Regular instruction	\$ 94,399,809
Special education	144,722
Student transportation	11,748,686
Operation of plant	230,368
Maintenance of plant	13,422,830
Administration	175,548
Community services	<u>7,882</u>
Total depreciation expense-governmental activities	<u>\$ 120,129,845</u>
<b>Business Type Activities:</b>	
Food Services	1,034,653
Entrepreneurial	<u>31,168</u>
Total depreciation expense business type activities	<u>\$ 1,065,821</u>

Commitments for ongoing construction in progress at June 30, 2020 are \$114,233,494.

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**VII. PAYABLES**

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2020 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Payable	\$ 81,795,307	\$ 1,091,680	\$ 82,886,987
Retainage Payable	16,307,466		16,307,466
Accrued Salaries and Withholdings	84,223,151		84,223,151
Claims Payable	22,260,986		22,260,986
Due to Employees-advance Premium Withholding	8,853,391		8,853,391
Total Accounts Payable and Other Current Liabilities	<u>\$ 213,440,301</u>	<u>\$ 1,091,680</u>	<u>\$ 214,531,981</u>

**VIII. LEASES**

**A. OPERATING LEASES**

Expenditures under lease agreements for office space and equipment were approximately \$9,019,853 in FY 2020. Commitments for FY 2021 under lease agreements are approximately \$8,433,712. 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 2025. Lease payments, including interest, in FY 2020 were \$36,177,399 for Governmental funds (\$18,890,047 for the General Fund, \$17,287,352 for the Capital Projects Fund), and \$254,458 for the Business-Type Activities.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 78,820,810	\$ 138,455
Less: accumulated depreciation	(16,371,386)	(24,541)
Total	<u>\$ 62,449,424</u>	<u>\$ 113,914</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2021	\$ 29,593,472	\$ 200,380
2022	22,938,269	145,837
2023	15,839,549	145,837
2024	5,878,953	57,322
2025	2,781,607	-
Total minimum lease payments	77,031,850	549,376
Less: Amount representing interest	(2,986,052)	(19,121)
Present value of future minimum lease payments	<u>\$ 74,045,798</u>	<u>\$ 530,255</u>

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\$40,444,662 of outstanding capital lease obligations for governmental activities at June 30, 2020, were used to acquire capital assets. \$83,047 of outstanding capital lease obligations for business-type activities at June 30, 2020 were used to acquire capital assets.

**IX. LONG-TERM LIABILITIES**

Long-term liability activities during FY 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 63,614,700	\$ 45,018,976	\$ 34,587,878	\$ 74,045,798	\$ 28,118,236
Compensated absences	143,236,084	19,328,465	9,241,804	153,322,745	9,218,698
Net pension liability(*)	530,505,230	23,828,223		554,333,453	
Net OPEB liability(*)	<u>2,382,431,654</u>	<u>451,132,372</u>	<u>217,390,261</u>	<u>2,616,173,765</u>	
<b>Total</b>	<b>\$ 3,119,787,668</b>	<b>\$ 539,308,036</b>	<b>\$ 261,219,943</b>	<b>\$ 3,397,875,761</b>	<b>\$ 37,336,934</b>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Capital leases	\$ 494,518	\$ 279,790	\$ 244,053	\$ 530,255	\$ 217,508
Compensated absences	<u>2,827,472</u>	<u>300,706</u>	<u>6,082</u>	<u>3,122,096</u>	<u>5,626</u>
<b>Total</b>	<b>\$ 3,321,990</b>	<b>\$ 580,496</b>	<b>\$ 250,135</b>	<b>\$ 3,652,351</b>	<b>\$ 223,134</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, 2020 consists of the following:

Fund Balances:	General	Instructional TV	Total Governmental Funds
<u>Nonspendable:</u>			
Inventories	\$ 5,451,230	\$ -	\$ 5,451,230
Prepays	355,190		355,190
<b>Total NonSpendable</b>	<u>5,806,420</u>		<u>5,806,420</u>
<u>Restricted for:</u>			
Instructional TV program		469,213	469,213
<b>Total Restricted</b>	<u>-</u>	<u>469,213</u>	<u>469,213</u>
<u>Assigned for:</u>			
Subsequent Year's Budget	25,000,000		25,000,000
<u>Encumbrances:</u>			
Administrative	6,117,616		6,117,616
Instructional	19,661,582		19,661,582
Operation of Plant	5,621,339		5,621,339
<b>Total Encumbrances</b>	<u>31,400,537</u>	<u>-</u>	<u>31,400,537</u>
<b>Total Assigned</b>	<u>56,400,537</u>	<u>-</u>	<u>56,400,537</u>
<b>Unassigned</b>	<u>3,014,609</u>		<u>3,014,609</u>
<b>Total Fund Balances</b>	<b>\$ 65,221,566</b>	<b>\$ 469,213</b>	<b>\$ 65,690,779</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, 2020, was negative. The reasons for the decrease in FY 2020 were largely related to a severe decrease in revenues related to COVID-19 without an offsetting decrease in expenses. The deficits will be eliminated in future years by reducing expenditures to align with new revenue figures.

**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 \$22,260,986 and \$9,221,811 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2020, 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 2020 and 2019 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
<b>2020</b>				
Internal Service Fund	\$ 20,750,708	\$ 287,842,238	\$ (286,331,960)	\$ 22,260,986
Fiduciary Funds	7,416,439	109,553,037	(107,747,665)	9,221,811
<b>Total</b>	<u>\$ 28,167,147</u>	<u>\$ 397,395,275</u>	<u>\$ (394,079,625)</u>	<u>\$ 31,482,797</u>
<b>2019</b>				
Internal Service Fund	\$ 23,776,210	\$ 272,452,080	\$ (275,477,582)	\$ 20,750,708
Fiduciary Funds	6,322,107	104,305,170	(103,210,838)	7,416,439
<b>Total</b>	<u>\$ 30,098,317</u>	<u>\$ 376,757,250</u>	<u>\$ (378,688,420)</u>	<u>\$ 28,167,147</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, 2020 was \$162,548,643. The FY 2020 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, 2020 was \$61,086,328.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2020, 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, 2020 of \$716,916.

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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, 2020, the Board reported a liability of \$6,857,901 for its proportionate share of the net pension liability of the System, increased by \$15,845 from \$6,842,056 in FY 2019. The net pension liability was measured as of June 30, 2019, 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, 2019. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2019, the Board's proportionate share was 0.0332494%, which is an increase of 0.0006393% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Board recognized pension expense of \$872,840. 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	\$ 684,475	\$ -
Net difference between projected and actual earnings on pension plan investments	1,417,328	
Difference between projected and actual experience		720,550
Board contributions subsequent to the measurement date	716,916	
Total	\$ 2,818,719	\$ 720,550

The \$716,916 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, 2021. 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:	
2021	\$ (2,433,613)
2022	(373,266)
2023	2,616,315
2024	1,288,376
2025	283,441
Total	\$ 1,381,253

**TEACHERS' RETIREMENT AND PENSION SYSTEMS**

At June 30, 2020, 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	\$ 1,661,983,738
The Board's proportionate share of the net pension liability	-
Total	\$ 1,661,983,738

The net pension liability was measured as of June 30, 2019, 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, 2020, the Board recognized pension expense of \$162,548,643 and revenue of \$162,548,643 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, 2019 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, 3.5% wage
Salary increases	3.10% to 8.35%, including inflation
Investment rate of return	7.40%
Discount Rate	7.40%
Mortality rates	Mortality fully generational-Pub-2010/MP-2018

The economic and demographic actuarial assumptions used in the June 30, 2019 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, which was completed during FY 2019. 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, 2019.

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%	6.3%
Private Equity	13	7.5
Rate Sensitive	19	1.3
Credit Opportunity	9	3.9
Real Assets	14	4.5
Absolute Return	8	3.0
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, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.44%. 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 7.40%. This SDR was based on the expected rate of return on pension plan investments of 7.40%. 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 plan’s 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 7.40%, 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 (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Board’s proportionate share of the net pension liability	\$ 9,387,806	\$ 6,857,901	\$ 4,739,197

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-employer defined benefit 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, 2018 the date of the latest actuarial report for employer reporting, 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><u>43,357</u></u>

*Contributions.* Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5% and 7.5%, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board. Administrative costs are financed through investment earnings. The Board's actuarially determined contribution rate as a percentage of covered payroll for FY 2019 was 4.11%.

**NET PENSION LIABILITY**

The Board's net pension liability was measured as of June 30, 2019, 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	\$ 2,356,205,761
Plan fiduciary net position	<u>(1,808,730,209)</u>
Net pension liability	<u><u>\$ 547,475,552</u></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	Health 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.

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%	1.94%
Global Equities	50	6.90
Alternatives	25	6.83
Cash & Cash Equivalents	2	0.60
Total	100%	

\* Expected inflation: 1.70%

*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	\$ 2,356,205,761	\$ 1,808,730,209	\$ 547,475,552

*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.

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

For the year ended June 30, 2020, the Board recognized pension expense of \$92,693,687. At June 30, 2020, 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	\$ 30,066,255	\$ 36,999,615
Net difference between projected and actual earnings on pension plan investments measurement date	19,898,431	
Changes in assumptions	117,507,237	
Board contributions subsequent to the measurement date	86,941,255	
Total	<u>\$ 254,413,178</u>	<u>\$ 36,999,615</u>

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Board contributions of \$86,941,245 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, 2021. 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:		
2021	\$	42,669,084
2022		16,956,220
2023		24,845,772
2024		29,035,210
2025		20,326,353
Thereafter		(3,360,331)
Total	\$	<u>130,472,308</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, 2019, the date of the latest actuarial report, the Board’s plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	14,019
Terminated plan members entitled to benefits but not yet receiving them	7,080
Active plan members	<u>23,464</u>
Total	<u><u>44,563</u></u>

*Contributions.* Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5% and 7.5%, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board. Administrative costs are financed through investment earnings. The Board actuarially determined contribution rate as a percentage of covered payroll for FY 2020 was 4.68%.

**NET PENSION LIABILITY**

Beginning of year total pension liability is based on the Board’s actuarial valuation date of July 1, 2019, and a measurement date of June 30, 2019. The end of year total pension liability based on the Board’s actuarial valuation date of July 1, 2019, with the results rolled forward to a measurement date of June 30, 2020 is as follows:

Total pension liability	\$ 2,288,699,029
Plan fiduciary net position	<u>(1,831,569,488)</u>
Net pension liability	<u>\$ 457,129,541</u>

Plan fiduciary net position as a percentage of the total pension liability: 80.03%

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

Valuation Date	July 1, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Inflation	2.50%
Salary Increases	2.50% to 13.50%, including inflation
Investment Rate of Return	7.00%, net of investment expense, including inflation
Retirement Age	Experience-based table of rates
Mortality	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Post-retirement Healthy Lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.
Cost of Living Adjustment	2.50% compound for ERS retirees and 2.50% simple for original pension plan retirees. 2.35% compound for service before July 1, 2011 and 1.85% compound for service after July 1, 2011 for enhanced pension plan retirees.

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2019, then rolled forward to June 30, 2020 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, 2019. It was first applicable for funding and accounting numbers using the 2019 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, 2020 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed income	23%	1.94%
Global Equities	50	6.90
Alternatives	25	6.83
Cash & Cash Equivalents	2	0.60
Total	100%	

\* Expected inflation: 1.70%

*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 6/30/2019	\$ 2,356,205,761	\$ 1,808,730,209	\$ 547,475,552
Changes for the year			
Service cost	54,379,440		54,379,440
Interest	163,070,418		163,070,418
Differences between expected and actual experience	(176,404,209)		(176,404,209)
Contributions – employer		86,941,255	(86,941,255)
Contributions – employee		25,526,536	(25,526,536)
Net Investment Income		20,090,221	(20,090,221)
Benefit payments, including refunds of employee contributions	(108,552,381)	(108,552,381)	
Administrative expense		(1,166,352)	1,166,352
Net Changes	(67,506,732)	22,839,279	(90,346,011)
Balances as of 6/30/2020	\$ 2,288,699,029	\$ 1,831,569,488	\$ 457,129,541

*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>
		750,346,226		475,129,541		212,478,989

*Rate of Return on Investments.* The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2020 was 1.2%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

**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

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

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

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

*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 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.

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 FY 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 2019, the Montgomery County Council contributed \$27,200,000 and recorded as on behalf of the Board employees. In FY 2020 the Montgomery County Council contributed \$78,533,000 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



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determined regarding the funded status of the plan and the annual required contributions of the Board are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**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	<u>(491,656,788)</u>
Net OPEB liability	<u>\$ 2,616,173,765</u>
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 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, 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: 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.

The assets of CRHBT are managed by the county. The following target allocation was adopted asset allocation policy as of June 30, 2019 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 weighting 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

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return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 (see the discussion of the OPEB plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	16.80%	5.30%
International Equities	13.50	5.80
Emerging Market Equities	3.40	5.80
Global Equities	3.80	5.75
Private Equity	8.00	7.63
Credit Opportunities	2.00	6.05
High Yield Bonds	8.50	4.20
Directional Hedge Funds	2.50	5.02
Long Duration Fixed Income	13.50	2.55
Cash	1.00	0.95
Diversifying Hedge Funds	2.50	3.90
Global ILs	12.00	2.85
Private Real Assets	5.00	7.06
Public Real Assets	7.50	5.02
	100.00%	

*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. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2034.

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>	269,743,837	36,001,726	233,742,111
<b>Balance as of 6/30/2019</b>	\$ 3,107,830,553	\$ 491,656,788	\$ 2,616,173,765

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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.

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

For the year ended June 30, 2020, the Board recognized OPEB expense of \$175,157,885. At June 30, 2020, 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	\$ 309,384,069	\$ 177,222,245
Net difference between projected and actual earnings on OPEB plan investments at measurement date		5,869,049
Difference between expected and actual experience		234,203,804
Board contributions subsequent to the measurement date	141,748,303	
Total	\$ 451,132,372	\$ 417,295,098

Board contributions of \$141,748,303 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, 2021. 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:	
2021	\$ 24,710,904
2022	24,710,096
2023	22,367,763
2024	22,140,696
2025	22,014,900
Thereafter	8,032,520
Total	\$ (107,911,290)

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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, 2019, the date of the latest actuarial valuation:

Inactive Plan Members with Medical Coverage	10,016
Active Plan Members	23,464
Total	33,480

*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 2020, plan members and beneficiaries receiving benefits contributed \$42,290,716 (approximately 23.0% of current contributions). The Board and other contributing entities’ contributed \$141,748,303 (approximately 77.0% 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, 2020, were as follows:

Total OPEB liability	\$ 3,068,256,022
Plan fiduciary net position	(568,957,591)
Net OPEB liability	\$ 2,449,298,431
Plan fiduciary net position as a percentage of the total OPEB liability:	18.54%

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, 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, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	2.50%
Salary increases	2.50% to 13.50%, 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	Initial trend rates of 10.0% for Rx, 8.00 for medical, decreasing to an ultimate trend rate of 4.50%, 4.50% dental trend rate, 3.50% vision trend rate
Mortality	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Post-retirement healthy lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.

The total OPEB liability shown is based on an actuarial valuation performed as of July 1, 2019, and a measurement date of June 30, 2020. Update procedures were used to roll forward the total OPEB liability to the OPEB plan's fiscal year end.

*Discount Rate.* An SDR of 4.45% was used to measure the total OPEB liability as of June 30, 2020. 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 2.45%. The projection of cash flows used to determine this SDR assumes that for contributions until FY 2032, the county will contribute the amount of the net benefit payments plus 70% of the difference between the Annual Required Contribution calculation in the actuarial valuation and the projected net benefit payments. For contributions during FY 2032 and after, the county will contribute the Annual Required Contribution amount calculated in the actuarial valuation.

By comparison, the SDR as of June 30, 2019, was 4.85%, based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 3.13%.

**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 6/30/2019</b>	\$ 3,107,830,553	\$ 491,656,788	\$ 2,616,173,765
<b>Changes for the year</b>			
Service cost	109,249,061		109,249,061
Interest	151,919,286		151,919,286
Differences between expected and actual experience	(269,627,645)		(269,627,645)
Contributions - employer		115,201,749	(115,201,749)
Medicare Part D subsidies		26,546,554	(26,546,554)
Contributions - employee		42,290,716	(42,290,716)
Net Investment Income		21,895,304	(21,895,304)
Benefit payments, including refunds of employee contributions	(59,609,650)	(128,446,920)	68,837,270
Administrative expense		(187,904)	187,904
Assumption changes	28,494,417	1,304	28,493,113
<b>Net Changes</b>	<b>(39,574,531)</b>	<b>77,300,803</b>	<b>(116,875,334)</b>
<b>Balance as of 6/30/2020</b>	<b>\$ 3,068,256,022</b>	<b>\$ 568,957,591</b>	<b>\$ 2,499,298,431</b>

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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 4.45%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (3.45%) or one-percent higher (5.45%) than the current rate:

	<u>1% Decrease (3.45%)</u>	<u>Discount Rate (4.45%)</u>	<u>1% Increase (5.45%)</u>
Net OPEB liability	\$ 3,044,409,888	\$ 2,499,298,431	\$ 2,065,369,378

*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	\$2,001,592,013	\$ 2,499,298,431	\$ 3,151,247,693

*Rate of Return on Investments.* The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, for FY 2020 was 4.69%. 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	\$ 1,832,119,044	\$ 578,265,974	\$ 2,410,385,018
Total assets	1,832,119,044	578,265,974	2,410,385,018
Liabilities:			
Total liabilities	549,556	9,308,383	9,857,939
Net Position:			
Restricted for pension and other postemployment benefits	\$ 1,831,569,488	\$ 568,957,591	\$ 2,400,527,079

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Retirement and Pension System</u>	<u>OPEB Plan Trust</u>	<u>Total</u>
Additions:			
Contributions	\$ 112,467,791	\$ 184,039,019	\$ 296,506,810
Net investment earnings	20,090,221	21,895,304	41,985,525
Total additions	132,558,012	205,934,323	338,492,335
Deductions:			
Benefit and premium payments	108,552,381	128,446,920	236,999,301
Administrative expenses	1,166,352	187,904	1,354,256
Total deductions	109,718,733	128,634,824	238,353,557
Change in net position	22,839,279	77,299,499	100,138,778
Net position – beginning	1,808,730,209	491,658,092	2,300,388,301
Net position – ending	\$ 1,831,569,488	\$ 568,957,591	\$ 2,400,527,079

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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.

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MCPS Marching Band Showcase, October 2019





# **REQUIRED SUPPLEMENTARY INFORMATION**

Board of Education of Montgomery County  
June 30, 2020

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 YEAR ENDED JUNE 30, 2020

Fiscal Year Ending	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
Service Cost	\$ 54,379,440	\$ 51,411,385	\$ 50,395,825	\$ 44,436,725	\$ 43,500,877
Interest	163,070,418	155,248,918	146,658,956	141,159,580	135,814,794
<b>Benefit Changes</b>					
Difference between Actual & Expected, if any	(13,391,489)	8,963,079	31,406,064		(22,132,062)
Assumption Changes	(163,012,720)		132,086,081		
Benefit Payments	(108,552,381)	(102,247,449)	(95,135,058)	(90,109,676)	(85,230,639)
Refund					
Net Change in Total Pension Liability	(67,506,732)	113,375,933	265,411,868	95,486,629	71,952,970
Total Pension Liability -Beginning	2,356,205,761	2,242,829,828	1,977,417,960	1,881,931,331	1,809,978,361
Total Pension Liability -Ending (a)	<u>\$ 2,288,699,029</u>	<u>\$ 2,356,205,761</u>	<u>\$ 2,242,829,828</u>	<u>\$ 1,977,417,960</u>	<u>\$ 1,881,931,331</u>
<b>Plan Fiduciary Net Position</b>					
Contribution -Employer	86,941,255	88,769,344	79,863,596	65,877,870	74,861,086
Contribution -Employee	25,526,536	24,951,070	24,323,349	23,749,197	22,949,001
Net Investment Income	20,090,221	79,565,869	124,868,624	172,942,114	(3,391,963)
Benefit Payments	(108,552,381)	(102,247,449)	(95,135,058)	(90,109,676)	(85,230,639)
Refund					
Admin Expense	(1,166,352)	(1,475,279)	(1,209,068)	(1,151,736)	(2,012,071)
Other					
Net change in Plan Fiduciary Net Position	22,839,279	89,563,555	132,711,443	171,307,769	7,175,414
Plan Fiduciary Net Position -beginning	1,808,730,209	1,719,166,654	1,586,455,213	1,415,147,444	1,407,972,029
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,831,569,488</u>	<u>\$ 1,808,730,209</u>	<u>\$ 1,719,166,656</u>	<u>\$ 1,586,455,213</u>	<u>\$ 1,415,147,444</u>
Net Pension Liability -Ending (a-b)	<u>\$ 457,129,541</u>	<u>\$ 547,475,552</u>	<u>\$ 523,663,172</u>	<u>\$ 390,962,747</u>	<u>\$ 466,783,888</u>
<b>Plan Fiduciary Net Position as a Percentage of</b>					
Total Pension Liability	80.03%	76.76%	76.65%	80.23%	75.20%
Covered Payroll	\$ 1,630,158,866	\$ 1,600,129,357	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698
Net Pension Liability as a Percentage of Covered Payroll	28.04%	34.21%	33.50%	26.62%	32.74%

Fiscal Year Ending	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ 53,269,208	\$ 53,238,295
Interest	123,895,167	120,371,102
<b>Benefit Changes</b>		
Difference between Actual & Expected, if any	(18,234,988)	(47,593,419)
Assumption Changes	93,368,251	
Benefit Payments	(81,971,251)	(76,147,472)
Refund		
Net Change in Total Pension Liability	170,326,387	49,868,506
Total Pension Liability -Beginning	1,639,651,974	1,589,783,468
Total Pension Liability -Ending (a)	<u>\$ 1,809,978,361</u>	<u>\$ 1,639,651,974</u>
<b>Plan Fiduciary Net Position</b>		
Contribution -Employer	83,498,517	80,544,815
Contribution -Employee	22,486,721	21,578,300
Net Investment Income	26,441,619	179,375,231
Benefit Payments	(81,971,251)	(76,147,472)
Refund		
Admin Expense	(2,217,291)	(2,163,665)
Other		
Net change in Plan Fiduciary Net Position	48,238,316	203,187,209
Plan Fiduciary Net Position -beginning	1,359,733,714	1,156,546,505
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,407,972,029</u>	<u>\$ 1,359,733,714</u>
Net Pension Liability -Ending (a-b)	402,006,332	279,918,260
<b>Plan Fiduciary Net Position as a Percentage of</b>		
Total Pension Liability	77.79%	82.93%
Covered Payroll	\$ 1,429,764,138	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Payroll	28.12%	20.13%

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF NET PENSION LIABILITY  
 YEAR ENDED JUNE 30, 2020

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
2020	2,288,699,029	1,831,569,488	457,129,541	80.03	1,630,158,866	28.04

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, 2020

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
2020	73,016,807	86,941,255	(13,924,448)	1,630,158,866	5.33

**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, 2020

Fiscal year ending June 30	2020	2019	2018	2017	2016	2015	2014	2013
Actual money weighted rate of return, net of investment expense	1.2%	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, 2020

<u>Employees' Retirement and Pension Systems</u>	Fiscal Year Ending					
	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.03324940%	0.03260980%	0.03042730%	0.03027640%	0.02665060%	0.02295670%
Board's proportionate share of the net pension liability (asset)	\$ 6,857,901	\$ 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%	0.00%
Plan fiduciary net position as of a percentage of the total pension liability	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%
 <u>Teachers' Retirement and Pension Systems</u>						
Board's proportion of the net pension liability (asset)	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%
State's proportionate share of the net pension liability (asset) associated with the Board	\$ 1,661,983,738	\$ 1,618,273,835	\$ 1,757,492,373	\$ 1,871,367,674	\$ 1,522,877,235	\$ 1,115,879,101
Board's covered payroll	1,600,129,357	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	103.87%	103.51%	119.68%	131.26%	106.51%	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	74.43%	73.35%	71.41%	67.95%	70.76%	69.53%
Methods and assumptions used to determine contribution rates:						
Valuation Date	7/1/2019					
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	7.40%					
Discount rate	7.40%					
Salary increases	3.10% to 8.35%, including wage inflation					
Inflation	2.60% general, 3.5% wage					
Mortality rates	Mortality fully generational - Pub - 2010/MP-2018					

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

Note 2 - Changes in Assumptions - Were the result of an FY 2019 experience review.

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, 2020

	Fiscal Year Ending				
	2020	2019	2018	2017	2016
<b><u>Employees' Retirement and Pension Systems</u></b>					
Contractually required contribution	\$ 716,916	\$ 682,777	\$ 650,264	\$ 619,299	\$ 589,809
Contributions in relation to the contractually required contribution	716,916	682,777	650,264	619,299	589,809
Contribution deficiency (excess)	-	-	-	-	-
<b><u>Teachers' Retirement and Pension Systems</u></b>					
Contractually required contribution	\$ 162,548,643	\$ 157,679,841	\$ 156,986,964	\$ 168,182,560	\$ 157,007,517
Contributions in relation to the contractually required contribution	162,548,643	157,679,841	156,986,964	168,182,560	157,007,517
Contribution deficiency (excess)	-	-	-	-	-
Board's covered payroll	\$ 1,634,125,189	\$ 1,600,129,357	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698
Contributions as a percentage of covered payroll	9.95%	9.85%	10.04%	11.45%	11.01%

	Fiscal Year Ending				
	2015	2014	2013	2012	2011
<b><u>Employees' Retirement and Pension Systems</u></b>					
Contractually required contribution	\$ 561,723	\$ 534,974	\$ 509,499	\$ 485,237	\$ 462,130
Contributions in relation to the contractually required contribution	561,723	534,974	509,499	485,237	462,130
Contribution deficiency (excess)	-	-	-	-	-
<b><u>Teachers' Retirement and Pension Systems</u></b>					
Contractually required contribution	\$ 156,997,295	\$ 148,989,559	\$ 131,705,430	\$ 173,954,985	\$ 169,926,025
Contributions in relation to the contractually required contribution	156,997,295	148,989,559	131,705,430	173,954,985	169,926,025
Contribution deficiency (excess)	-	-	-	-	-
Board's covered payroll	\$ 1,429,764,138	\$ 1,390,868,330	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776
Contributions as a percentage of covered payroll	10.98%	10.71%	9.70%	12.96%	13.01%

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, 2020

Fiscal Year Ending	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 109,249,061	\$ 104,162,538	\$ 88,364,530	\$ 125,216,637
Interest	151,919,286	153,797,183	157,630,126	146,230,235
Benefit Changes				
Different between Actual & Expected if any Assumption Changes	(269,627,645)	(73,824,566)	(216,455,378)	(270,838,727)
Benefit Payments, including refunds of employee contributions	(59,609,650)	(83,877,327)	(72,763,620)	(70,432,337)
Net Change in Total OPEB Liability	<u>(39,574,531)</u>	<u>269,743,837</u>	<u>160,535,784</u>	<u>(69,824,192)</u>
Total OPEB Liability -Beginning	3,107,830,553	2,838,086,716	2,677,550,932	2,747,375,124
Total OPEB Liability -Ending (a)	<u>\$ 3,068,256,022</u>	<u>\$ 3,107,830,553</u>	<u>\$ 2,838,086,716</u>	<u>\$ 2,677,550,932</u>
<b>Plan Fiduciary Net Position</b>				
Contribution -Employer	115,201,749	62,667,044	90,580,304	96,333,627
Contribution -Nonemployer entities				
Medicare Part D subsidies	26,546,554	22,561,041	21,197,806	18,725,635
Contributions-member	42,260,716	38,743,969	39,875,875	37,315,988
Net Investment Income	21,895,304	34,845,670	31,492,272	36,233,300
Benefit Payments, including refunds of employee contributions	(128,446,920)	(122,621,296)	(112,639,495)	(107,748,325)
Admin Expense	(187,904)	(194,702)	(207,208)	(292,732)
Other				
Net change in Plan Fiduciary Net Position	<u>77,299,499</u>	<u>36,001,726</u>	<u>70,299,554</u>	<u>80,567,493</u>
Plan Fiduciary Net Position -beginning	491,656,788	455,655,062	385,355,507	304,788,014
Plan Fiduciary Net Position -Ending (b)	<u>\$ 568,957,591</u>	<u>\$ 491,656,788</u>	<u>\$ 455,655,060</u>	<u>\$ 385,355,507</u>
Net OPEB Liability -Ending (a-b)	<u>\$ 2,499,298,431</u>	<u>\$ 2,616,173,765</u>	<u>\$ 2,382,431,656</u>	<u>\$ 2,292,195,425</u>
<b>Plan Fiduciary Net Position as a Percentage of</b>				
Total OPEB Liability	18.54%	15.82%	16.06%	14.39%
Covered Employee Payroll (c)	\$ 1,634,125,189	\$ 1,600,129,357	\$ 1,563,346,475	\$ 1,546,150,104
Net OPEB Liability as a Percentage of Covered Employee Payroll	152.94%	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, 2020

FY Ending June 30	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Position as a % of Total OPEB Liability	Covered Employee Payroll	Net OPEB Liability as a % of Covered Employee Payroll
2017	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425	14.39 %	\$ 1,546,150,104	148.25 %
2018	2,838,086,716	455,655,062	2,382,431,654	16.06	1,563,346,475	152.32
2019	3,107,830,553	491,656,788	2,616,173,765	15.82	1,600,129,357	163.50
2020	3,068,256,022	568,957,591	2,499,298,431	18.54	1,634,125,189	152.94

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, 2020

FY Ending June 30	Actuarially 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
2020	154,363,013	141,748,303	12,614,710	1,634,125,189	8.67

**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, 2019
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 10.0% 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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPEB PLAN INVESTMENT RETURNS  
 YEAR ENDED JUNE 30, 2020

<b>Fiscal year ending June 30</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Actual money weighted rate of return, net of investment expense	4.69%	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, 2020

## **GOVERNMENTAL FUNDS**

June 30, 2020

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Montgomery County	\$ 679,017,437	\$ 685,017,437	\$ 307,213,220	\$ (377,804,217)
State of Maryland	78,606,236	82,208,086	61,593,934	(20,614,152)
Federal	993,661	993,661	694,513	(299,148)
Other sources	4,070,839	4,070,839	2,223,089	(1,847,750)
Total revenues	762,688,173	772,290,023	371,724,756	(400,565,267)
<b>Expenditures and encumbrances:</b>				
Capital outlay	762,688,173	772,290,023	371,724,756	400,565,267
Total expenditures and encumbrances	762,688,173	772,290,023	371,724,756	400,565,267
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation to GAAP fund balance:</b>				
2020 encumbrances outstanding			-	
Fund balance - GAAP basis			\$ -	

SCHEDULE OF CONSTRUCTION IN PROGRESS  
CAPITAL PROJECTS FUND  
JUNE 30, 2020

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 Local Funding	91,521	72,000	19,520	1
016532	Fire Safety Code Upgrades Local Funding	3,934,496	1,390,961	767,987	1,775,548
036510	The Schools and Libraries Program of the Universal Service Fund	1,217,072		141,776	1,075,297
056501	Restroom Renovations Local Funding	8,518,041		3,067,346	5,450,695
076506	BMPI-Somerset Elementary School Artificial Turf 2016	15,559,112	10,146,430	3,333,731	2,078,951
116505	Clarksburg High School Local Funding	11,823,000	9,127,567	1,461,882	1,233,552
116510	Viers Mill ES Addition - State Funding	10,836,865	10,817,604		19,261
136500	Arcola Elementary School Local Funding	3,841,000	3,679,004		161,996
136505	Northwest Elementary School #8 (New) 2018	2,979,000			2,979,000
546034	Land Acquisition Local Funding	1,341,303			1,341,303
651503	North Bethesda MS Addition 2018	21,298,000	20,887,296	37,239	373,465
651504	Lucy V Barnsley ES Addition 2018	13,716,000	13,471,120	1,795	243,085
651505	Kensington-Parkwood ES Addition 2018	12,679,000	10,073,520		2,605,480
651510	Diamond ES Addition	7,705,500	7,555,385	97,135	52,981
651513	Bethesda-Chevy Chase HS Addition 2018	6,682,500	6,682,500		
651515	Blair Ewing Center Improvements 2018	1,512,000	161,786	98,009	1,252,205
746032	Design and Construction Management Local Funding	1,034,925		48,829	986,096
766995	Roof Replacement	22,236,219	4,753,029	6,953,180	10,530,010
796222	Energy Conservation	1,452,996	700,000	85,150	667,846
796235	ADA Compliance Local Funding	8,575,166	4,108,259	924,460	3,542,447
816633	HVAC Replacement	41,371,440	18,491,612	10,437,785	12,442,042
816695	Asbestos Abatement Local Funding	274,671		24,117	250,554
846540	Relocatable Classrooms Local Funding	4,878,935		3,125,250	1,753,685
876544	Stadium Lighting Local Funding	208,725		76,850	131,875
896586	Planned Life Cycle Asset Replacement	11,422,584	3,912,430	2,876,122	4,634,033
916587	Richard Montgomery ES#5-Gym-City of Rockville	40,358,072	39,955,461		402,611
926557	School Security Systems	14,783,907	2,091,492	5,003,343	7,689,072
926575	Current Replacements/Modernizations	507,047,906	444,687,909	24,384,790	37,975,208
956550	Stormwater Management	205,175		34,313	170,861
966553	Facility Planning Local Funding	2,446,805		46,503	2,400,302
975051	Improved (Safe) Access to Schools Local Funding	4,834,982	4,106,866	204,969	523,147
651641	Shady Grove Transportation Depot Replacement	2,425,000			2,425,000
096503	Harmony Hills Elementary School	5,448,741	5,307,314		141,427
651502	S. Christa McAuliffe ES Addition 2019	11,386,000	10,530,910		855,090 *
651507	Judith Resnick ES Addition 2020	871,000			871,000
651511	Burtonsville ES Addition 2020	1,172,000	1,516		1,170,484
651514	Ashburton ES Addition 2019	10,944,000	10,717,191	52,396	174,413
651518	Gaithersburg ES Addition 2020	3,687,000	1,293,058	958,620	1,435,322
651705	Thomas W. Pyle MS Addition 2020	25,114,000	21,924,867	1,495,527	1,693,606
651706	Takoma Park MS Addition 2020	25,186,000	14,215,942	8,090,015	2,880,043
651708	Pine Crest ES Addition 2020	8,623,000	7,797,214	808,376	17,410
651709	Montgomery Knolls ES Addition 2020	6,605,000	6,683,869		(78,869)
651713	Clarksburg Cluster ES (Village Site #2) 2019	36,008,000	31,709,746	131,203	4,167,051
116509	Somerset Elementary School Addition 2011	1,475,114	1,325,113		150,001
651704	Walt Whitman High School Addition 2021	26,359,000	6,742,289	18,740,794	875,917
651801	Outdoor Play Maintenance 2019-20	2,327,930	560,454	102,347	1,665,129
651703	Woodlin Elementary School Addition 2022	1,167,000			1,167,000
651707	Piney Branch ES Addition 2021	4,211,000			4,211,000
651905	DuFief ES Addition/Facility Upgrade 2022	2,910,000	682,208	1,311,231	916,561
651906	John F Kennedy HS Addition 2022	19,668,000	177,197	1,394,293	18,096,509
651907	Northwood HS Addition/Upgrades	9,873,000	1,607,772	4,417,503	3,847,725
651908	Charles W. Woodward HS Re-Opening	35,245,000	4,028,983	2,783,482	28,432,535
651910	Col E Brooke Lee MS Addition/Upgrade 2021	56,114,000	2,310,560	605,611	53,197,829
651912	Silver Spring International MS Addition 2022	35,140,000	631,113	1,463,880	33,045,007 *
651901	Clarksburg Cluster ES #9 - New	2,981,000	468,687	797,081	1,715,232
651902	Cresthaven Elementary School Addition	847,000			847,000
651903	Roscoe Nix Elementary School Addition	590,000			590,000
651909	Crown High School - New	6,306,000		6,079,100	226,900
651913	Major Capital Projects	10,167,546	22,182	1,749,955	8,395,409
652001	Highland View Elementary School Addition	775,000			775,000
652002	Lake Seneca Elementary School Addition	875,000			875,000
652003	Thurgood Marshall Elementary School Addition	630,000			630,000
Total Open & Interim Projects		1,142,101,389	745,610,418	114,233,494	282,257,477
Capitalized land, equipment and furniture, and items not capitalized		(18,181,470)	(18,181,470)		
Interim closing of open projects **		(613,783,154)	(613,783,154)		
Total construction in progress		\$ 510,136,765	\$ 113,645,794	\$ 114,233,494	\$ 282,257,477

\* 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, 2020.

\*\* 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, 2020

	<u>Budgeted Amounts</u>			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,799,775	\$ 1,799,775	\$ 1,799,775	\$ -
Total revenues	-	1,799,775	1,799,775	1,799,775	-
Expenditures and encumbrances:					
Community services	16,922	1,816,697	1,816,697	1,748,614	68,083
Total expenditures and encumbrances	16,922	1,816,697	1,816,697	1,748,614	68,083
Excess of expenditures and encumbrances over revenues	(16,922)	(16,922)	(16,922)	51,161	68,083
Fund balance - beginning	16,922	16,922	16,922	395,240	378,318
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 446,401	<u>\$ 446,401</u>
Reconciliation to GAAP fund balance:					
2020 encumbrances outstanding				<u>22,812</u>	
Fund balance - GAAP basis				<u>\$ 469,213</u>	



## **NONMAJOR ENTERPRISE FUNDS**

June 30, 2020

Real Estate Management – Accounts for the rental of surplus space in school buildings for complementary programs such as child care, and for the administration of potential future school sites.

Field Trip – Accounts for the operation of transportation services for student field trips and external organizations.

Entrepreneurial Activities – Provides supplemental funding for the instructional program through the sale of Board expertise, services and products.

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2020

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Accounts receivable	\$ 475,078	\$ 36,063	\$ 194,694	\$ 705,835
Due from other funds	43,499	187,502	729,356	960,357
Total current assets	<u>518,577</u>	<u>223,565</u>	<u>924,050</u>	<u>1,666,192</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment			62,502	62,502
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>62,502</u>	<u>62,502</u>
Total assets	<u>518,577</u>	<u>223,565</u>	<u>986,552</u>	<u>1,728,694</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	143,010		148,746	291,756
Due to other funds	151,016	3,577	1,389,118	1,543,711
Unearned revenue				
Capital leases - current				
Total current liabilities	<u>294,026</u>	<u>3,577</u>	<u>1,537,864</u>	<u>1,835,467</u>
Noncurrent liabilities:				
Compensated absences	60,978	136,870	214,482	412,330
Total noncurrent liabilities	<u>60,978</u>	<u>136,870</u>	<u>214,482</u>	<u>412,330</u>
Total liabilities	<u>355,004</u>	<u>140,447</u>	<u>1,752,346</u>	<u>2,247,797</u>
<b>Net Position</b>				
Net investment in capital assets			62,502	62,502
Unrestricted	163,573	83,118	(828,296)	(581,605)
Total net position	<u>\$ 163,573</u>	<u>\$ 83,118</u>	<u>\$ (765,794)</u>	<u>\$ (519,103)</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, 2020

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 3,340,553	\$ 1,334,742	\$ 7,649,091	\$ 12,324,386
Total operating revenues	<u>3,340,553</u>	<u>1,334,742</u>	<u>7,649,091</u>	<u>12,324,386</u>
Operating expenses:				
Salaries and wages	482,766	1,042,595	1,459,556	2,984,917
Contracted services	270,799	35,730	5,872,983	6,179,512
Supplies and materials	11,541	306,768	318,016	636,325
Other charges	2,918,979	155,960	425,887	3,500,826
Depreciation			31,168	31,168
Total operating expenses	<u>3,684,085</u>	<u>1,541,053</u>	<u>8,107,610</u>	<u>13,332,748</u>
Operating income (loss)	<u>(343,532)</u>	<u>(206,311)</u>	<u>(458,519)</u>	<u>(1,008,362)</u>
Change in net position	(343,532)	(206,311)	(458,519)	(1,008,362)
Total net position - beginning	507,105	289,429	(307,275)	489,259
Total net position - ending	<u>\$ 163,573</u>	<u>\$ 83,118</u>	<u>\$ (765,794)</u>	<u>\$ (519,103)</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,124,710	\$ 1,387,751	\$ 17,842,001	\$ 22,354,462
Payments to suppliers	(196,773)	(342,498)	(15,959,857)	(16,499,128)
Payments to employees	(509,918)	(1,103,876)	(1,571,480)	(3,185,274)
Payments for assessments made by other funds	(152,572)	(81,494)	(185,847)	(419,913)
Payments for other operating expenses	(2,729,502)	-	(124,817)	(2,854,319)
Net cash provided (used) by operating activities	<u>(464,055)</u>	<u>(140,117)</u>	<u>-</u>	<u>(604,172)</u>
Increase (Decrease) in cash and cash equivalents	(464,055)	(140,117)		(604,172)
Cash and cash equivalents - beginning	464,055	140,117		604,172
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (343,532)	\$ (206,311)	\$ (458,519)	\$ (1,008,362)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation			31,168	31,168
Effects of changes in operating assets and liabilities:				
Receivables	(215,843)	53,010	10,747,347	10,584,514
Accounts payable	(12,011)		(1,463,497)	(1,475,508)
Due to other funds	97,578		(8,305,361)	(8,207,783)
Unearned revenue			(554,437)	(554,437)
Compensated absences	9,753	13,184	3,299	26,236
Net cash provided (used) by operating activities	<u>\$ (464,055)</u>	<u>\$ (140,117)</u>	<u>\$ -</u>	<u>\$ (604,172)</u>

# FIDUCIARY FUNDS

June 30, 2020

## 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, 2020

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
<b>Assets</b>			
Investments:			
Global equities	\$ 1,015,767,688	\$ -	\$ 1,015,767,688
Fixed income securities	500,887,678		500,887,678
Real estate	90,088,584		90,088,584
Alternative investments	179,510,987		179,510,987
Short-term investments/CRHBT	45,864,107	538,042,355	583,906,462
Total investments	<u>1,832,119,044</u>	<u>538,042,355</u>	<u>2,370,161,399</u>
Accounts receivable		2,061,071	2,061,071
Due from Internal Service Fund		37,716,365	37,716,365
Due from General Fund		446,183	446,183
Total assets	<u>1,832,119,044</u>	<u>578,265,974</u>	<u>2,410,385,018</u>
<b>Liabilities</b>			
Due to General Fund	549,556		549,556
Accounts payable		86,572	86,572
Claims payable		9,221,811	9,221,811
Total liabilities	<u>549,556</u>	<u>9,308,383</u>	<u>9,857,939</u>
<b>Net Position</b>			
Restricted for pension and other postemployment benefits	<u>\$ 1,831,569,488</u>	<u>\$ 568,957,591</u>	<u>\$ 2,400,527,079</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, 2020

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 86,941,255	\$ 115,201,749	\$ 202,143,004
Members	25,526,536	42,290,716	67,817,252
Federal government - Medicare Part D	<u>26,546,554</u>	<u>26,546,554</u>	<u>26,546,554</u>
Total contributions	<u>112,467,791</u>	<u>184,039,019</u>	<u>296,506,810</u>
Investment earnings:			
Net increase in fair value of investments	15,087,477	21,895,304	36,982,781
Interest and dividends	<u>14,149,466</u>	<u>14,149,466</u>	<u>14,149,466</u>
Total investment income	<u>29,236,943</u>	<u>21,895,304</u>	<u>51,132,247</u>
Less investment expense:			
Investment fees and other	<u>(9,146,722)</u>	<u>(9,146,722)</u>	<u>(9,146,722)</u>
Total investment expense	<u>(9,146,722)</u>	<u>-</u>	<u>(9,146,722)</u>
Net investment earnings	<u>20,090,221</u>	<u>21,895,304</u>	<u>41,985,525</u>
Total additions	<u>132,558,012</u>	<u>205,934,323</u>	<u>338,492,335</u>
<b>DEDUCTIONS</b>			
Benefits paid to plan members	108,552,381	109,553,037	218,105,418
Premiums paid to insurance companies	1,166,352	18,893,883	18,893,883
Administrative expenses	<u>1,166,352</u>	<u>187,904</u>	<u>1,354,256</u>
Total deductions	<u>109,718,733</u>	<u>128,634,824</u>	<u>238,353,557</u>
Change in net position	22,839,279	77,299,499	100,138,778
Net position - beginning	<u>1,808,730,209</u>	<u>491,658,092</u>	<u>2,300,388,301</u>
Net position - ending	<u>\$ 1,831,569,488</u>	<u>\$ 568,957,591</u>	<u>\$ 2,400,527,079</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<b>Assets</b>				
Cash and investments	\$ 15,112,915	\$ 25,577,192	\$ 25,333,453	\$ 15,356,654
Accounts receivable	1,787,185	2,198,686	1,787,185	2,198,686
Inventories	<u>125,070</u>	<u>174,908</u>	<u>125,070</u>	<u>174,908</u>
 Total assets	 <u>\$ 17,025,170</u>	 <u>\$ 27,950,786</u>	 <u>\$ 27,245,708</u>	 <u>\$ 17,730,248</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,645,717	\$ 1,896,409	\$ 1,645,717	\$ 1,896,409
Due to student groups	<u>15,379,453</u>	<u>26,054,377</u>	<u>25,599,991</u>	<u>15,833,839</u>
 Total liabilities	 <u>\$ 17,025,170</u>	 <u>\$ 27,950,786</u>	 <u>\$ 27,245,708</u>	 <u>\$ 17,730,248</u>





# STATISTICAL SECTION

Board of Education of Montgomery County  
June 30, 2020

# 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 the 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)**

	<b>Fiscal Year</b>				
	2011	2012	2013	2014	2015
<b>Governmental Activities:</b>					
Net Investment in capital assets	\$ 2,073,974,398	\$ 2,234,805,426	\$ 2,377,418,879	\$ 2,467,557,443	\$ 2,545,451,592
Restricted for Instructional TV, Expendable					
Unrestricted	(367,057,361)	(446,600,594)	(487,587,959)	(574,669,171)	(961,916,071)
Total governmental activities net position	<u>\$ 1,706,917,037</u>	<u>\$ 1,788,204,832</u>	<u>\$ 1,889,830,920</u>	<u>\$ 1,892,888,272</u>	<u>\$ 1,583,535,521</u>
<b>Business-type activities:</b>					
Net Investment in capital assets	\$ 3,759,753	\$ 3,570,524	\$ 3,105,386	\$ 4,936,206	\$ 5,195,791
Unrestricted	(7,483,923)	(6,792,149)	(7,068,728)	(7,848,538)	(7,337,109)
Total business-type activities net position	<u>\$ (3,724,170)</u>	<u>\$ (3,221,625)</u>	<u>\$ (3,963,342)</u>	<u>\$ (2,912,332)</u>	<u>\$ (2,141,318)</u>
<b>Primary government:</b>					
Net Investment in capital assets	\$ 2,077,734,151	\$ 2,238,375,950	\$ 2,380,524,265	\$ 2,472,493,649	\$ 2,550,647,383
Restricted for Instructional TV, Expendable					
Unrestricted	(374,541,284)	(453,392,743)	(494,656,687)	(582,517,709)	(969,253,180)
Total primary government net position	<u>\$ 1,703,192,867</u>	<u>\$ 1,784,983,207</u>	<u>\$ 1,885,867,577</u>	<u>\$ 1,889,975,940</u>	<u>\$ 1,581,394,203</u>

	<b>Fiscal Year</b>				
	2016	2017	2018	2019	2020
<b>Governmental Activities:</b>					
Net Investment in capital assets	\$ 2,639,420,067	\$ 2,749,974,181	\$ 2,884,728,055	\$ 3,047,409,607	\$ 3,253,095,975
Restricted for Instructional TV, Expendable		280,688	328,504	395,240	469,213
Unrestricted	(999,244,078)	(1,024,990,225)	(2,824,799,646)	(2,906,632,993)	(3,007,305,795)
Total governmental activities net position	<u>\$ 1,640,175,989</u>	<u>\$ 1,725,264,644</u>	<u>\$ 60,256,913</u>	<u>\$ 141,171,854</u>	<u>\$ 246,259,393</u>
<b>Business-type activities:</b>					
Net Investment in capital assets	\$ 4,439,974	\$ 5,476,647	\$ 6,625,622	\$ 6,447,680	\$ 5,667,833
Unrestricted	(5,288,323)	(1,101,387)	12,052,586	13,236,716	10,161,748
Total business-type activities net position	<u>\$ (848,349)</u>	<u>\$ 4,375,260</u>	<u>\$ 18,678,208</u>	<u>\$ 19,684,396</u>	<u>\$ 15,829,581</u>
<b>Primary government:</b>					
Net Investment in capital assets	\$ 2,643,860,041	\$ 2,755,450,828	\$ 2,891,353,677	\$ 3,053,857,287	\$ 3,258,763,808
Restricted for Instructional TV, Expendable *		280,688	328,504	395,240	469,213
Unrestricted	(1,004,532,401)	(1,026,091,612)	(2,812,747,060)	(2,893,396,277)	(2,997,144,047)
Total primary government net position	<u>\$ 1,639,327,640</u>	<u>\$ 1,729,639,904</u>	<u>\$ 78,935,121</u>	<u>\$ 160,856,250</u>	<u>\$ 262,088,974</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			
	2011	2012	2013	2014
<b>Expenses</b>				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,395,636,699	\$ 1,401,069,607	\$ 1,425,776,788	\$ 1,510,082,837
Special education	381,185,135	392,865,396	398,480,390	436,204,642
School administration	198,448,243	202,692,468	204,795,867	210,172,216
Student personnel services	15,726,065	16,251,838	15,992,374	16,496,795
Health services	17,919	17,911	20,074	17,336
Total instruction	<u>1,991,014,061</u>	<u>2,012,897,220</u>	<u>2,045,065,493</u>	<u>2,172,973,826</u>
Support services:				
Student transportation	126,428,398	129,115,379	129,890,569	136,415,463
Operation of plant	149,740,270	147,289,980	150,099,667	158,947,644
Maintenance of plant	60,799,687	64,129,559	69,624,065	76,505,617
Administration	58,701,766	57,291,531	58,481,042	59,544,537
Community services	2,129,034	2,090,179	2,548,923	3,103,601
Interest on capital leases	1,197,169	897,345	801,273	745,756
Total support services	<u>398,996,324</u>	<u>400,813,973</u>	<u>411,445,539</u>	<u>435,262,618</u>
Total governmental activities expenses	<u>2,390,010,385</u>	<u>2,413,711,193</u>	<u>2,456,511,032</u>	<u>2,608,236,444</u>
Business-type activities				
Food services	48,218,118	49,720,564	51,249,507	52,926,067
Real estate management	3,055,284	3,220,047	3,039,558	2,845,571
Field trips	1,751,109	1,770,547	1,664,949	1,803,944
Entrepreneurial activities	2,031,272	1,983,788	2,604,177	2,356,182
Total business-type activities expenses	<u>55,055,783</u>	<u>56,694,946</u>	<u>58,558,191</u>	<u>59,931,764</u>
Total primary government expenses	<u>\$ 2,445,066,168</u>	<u>\$ 2,470,406,139</u>	<u>\$ 2,515,069,223</u>	<u>\$ 2,668,168,208</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services	\$ 4,111,198	\$ 3,820,871	\$ 3,871,684	\$ 3,848,232
Operating grants and contributions	112,581,279	83,474,771	77,994,243	79,196,930
Capital grants and contributions	54,258,286	59,387,969	67,644,476	59,634,504
Total governmental activities program revenues	<u>170,950,763</u>	<u>146,683,611</u>	<u>149,510,403</u>	<u>142,732,666</u>
Business-type activities				
Charges for services:				
Food services	18,577,749	19,252,693	17,907,925	16,631,652
Real estate management	2,812,240	2,892,122	3,026,997	2,744,862
Field trips	1,671,121	1,778,378	1,735,962	1,786,478
Entrepreneurial activities	3,633,389	2,186,618	2,235,250	1,974,638
Operating grants and contributions	27,800,835	30,590,480	32,844,833	35,934,919
Capital grants and contributions	696,950	464,308	30,898	1,877,408
Total business-type activities program revenues	<u>55,192,284</u>	<u>57,164,599</u>	<u>57,781,865</u>	<u>60,949,957</u>
Total primary government program revenues	<u>\$ 226,143,047</u>	<u>\$ 203,848,210</u>	<u>\$ 207,292,268</u>	<u>\$ 203,682,623</u>
Net (expense)/revenue				
Governmental activities	(2,219,059,622)	(2,267,027,582)	(2,307,000,628)	(2,465,503,778)
Business-type activities	136,501	469,653	(776,326)	1,018,193
	<u>(2,218,923,121)</u>	<u>(2,266,557,929)</u>	<u>(2,307,776,955)</u>	<u>(2,464,485,585)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,553,166,556	\$ 1,581,675,500	\$ 1,633,828,866	\$ 1,672,780,820
State of Maryland	668,581,752	761,695,928	771,174,249	792,450,552
Federal government	35,268,390	4,414,871	2,758,250	1,930,243
Other income	367,906	526,078	865,352	1,399,515
Total government activities	<u>2,257,384,604</u>	<u>2,348,312,377</u>	<u>2,408,626,717</u>	<u>2,468,561,130</u>
Business-type activities				
Other income	36,183	32,892	34,609	32,817
Total business-type activities	<u>36,183</u>	<u>32,892</u>	<u>34,609</u>	<u>32,817</u>
Total primary government	<u>\$ 2,257,420,787</u>	<u>\$ 2,348,345,269</u>	<u>\$ 2,408,661,326</u>	<u>\$ 2,468,593,947</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 38,324,982	\$ 81,284,795	\$ 101,626,088	\$ 3,057,352
Business-type activities	172,684	502,545	(741,717)	1,051,010
Total primary government	<u>\$ 38,497,666</u>	<u>\$ 81,787,340</u>	<u>\$ 100,884,371</u>	<u>\$ 4,108,362</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						
2015	2016	2017	2018	2019	2020	
\$ 1,507,192,601	\$ 1,509,093,578	\$ 1,633,033,361	\$ 1,616,010,500	\$ 1,762,655,649	\$ 1,825,108,205	
433,278,196	456,783,996	468,463,510	472,508,294	481,466,470	486,268,182	
203,472,513	207,845,076	217,940,076	212,525,992	213,469,890	217,320,615	
16,623,187	17,050,375	17,126,556	16,988,187	17,752,918	17,476,467	
1,594	836	1,577	1,411	1,590	722	
2,160,568,091	2,190,773,861	2,336,565,080	2,318,034,384	2,475,346,517	2,546,174,191	
134,999,834	138,795,597	140,687,102	140,237,799	144,323,992	140,236,209	
169,601,304	169,976,798	170,791,707	172,434,134	179,743,650	179,437,815	
69,525,061	69,797,436	71,483,269	74,579,051	79,162,111	73,029,852	
64,351,553	60,021,749	64,961,620	68,058,928	71,790,674	76,050,285	
3,168,196	3,095,853	3,200,420	3,220,575	3,198,429	3,305,531	
784,439	1,086,674	1,028,146	1,183,963	1,469,981	1,589,522	
442,430,387	442,774,107	452,152,264	459,714,450	479,688,837	473,649,214	
2,602,998,478	2,633,547,968	2,788,717,344	2,777,748,834	2,955,035,354	3,019,823,405	
54,353,613	56,469,606	58,125,752	57,733,700	60,564,324	60,678,747	
3,385,485	3,251,364	3,226,308	3,360,543	3,651,111	3,684,085	
1,895,960	1,991,456	2,006,344	2,196,677	2,308,586	1,541,053	
2,466,024	2,504,873	3,875,067	8,766,263	13,264,774	8,107,610	
62,101,082	64,217,299	67,233,471	72,057,183	79,788,795	74,011,495	
\$ 2,665,099,560	\$ 2,697,765,267	\$ 2,855,950,815	\$ 2,849,806,017	\$ 3,034,824,149	\$ 3,093,834,900	
\$ 3,804,324	\$ 4,001,803	\$ 4,146,827	\$ 3,358,232	\$ 3,407,477	\$ 2,968,633	
80,147,449	78,289,593	76,400,678	84,092,926	86,548,240	107,186,574	
78,396,597	54,561,101	72,592,518	70,241,200	62,851,159	67,750,408	
162,348,370	136,852,497	153,140,023	157,692,358	152,806,876	177,905,615	
16,303,287	16,119,711	17,148,111	17,476,818	17,896,527	12,830,168	
3,277,410	3,536,447	3,194,139	3,536,111	3,327,588	3,340,553	
2,003,127	2,184,988	2,053,978	2,148,783	2,175,575	1,334,742	
2,205,227	2,226,617	4,040,576	8,857,581	12,856,424	7,649,091	
38,684,559	41,326,131	44,102,198	44,052,643	43,620,377	44,622,910	
381,764	104,574	1,909,310	1,509,107	897,719	242,780	
62,855,374	65,498,468	72,448,312	77,581,043	80,774,210	70,020,243	
\$ 225,203,744	\$ 202,350,965	\$ 225,588,335	\$ 235,273,401	\$ 233,581,086	\$ 247,925,859	
(2,440,650,108)	(2,496,695,471)	(2,635,577,321)	(2,620,056,476)	(2,802,228,478)	(2,841,917,790)	
754,292	1,281,169	5,214,840	5,523,860	985,415	(3,991,251)	
(2,439,895,816)	(2,495,414,302)	(2,630,362,480)	(2,614,532,616)	(2,801,243,063)	(2,845,909,041)	
\$ 1,672,029,373	\$ 1,699,998,943	\$ 1,829,282,694	\$ 1,873,380,768	\$ 1,934,769,763	\$ 1,942,690,403	
810,716,731	829,182,141	871,366,816	892,225,277	916,115,657	965,884,095	
7,387,393	15,914,171	19,672,201	21,302,600	23,015,752	26,585,270	
460,704	8,240,684	344,265	14,687,987	9,242,247	11,845,561	
2,490,594,201	2,553,335,939	2,720,665,976	2,801,596,632	2,883,143,419	2,947,005,329	
16,722	11,800	8,768	9,358	20,773	136,436	
16,722	11,800	8,768	9,358	20,773	136,436	
\$ 2,490,610,923	\$ 2,553,347,739	\$ 2,720,674,744	\$ 2,801,605,990	\$ 2,883,164,192	\$ 2,947,141,765	
\$ 49,944,093	\$ 56,640,468	\$ 85,088,655	\$ 181,540,156	\$ 80,914,941	\$ 105,087,539	
771,014	1,292,969	5,223,609	5,533,218	1,006,188	(3,854,815)	
\$ 50,715,107	\$ 57,933,437	\$ 90,312,264	\$ 187,073,374	\$ 81,921,129	\$ 101,232,724	



Northwood High School Dance Showcase, 2020

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

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ 6,567,714	\$ 7,310,053	\$ 7,745,654	\$ 7,952,232	\$ 7,456,908
Assigned	6,370,994	7,069,165	5,478,166	2,510,534	2,758,823
Unassigned	<u>16,999,947</u>	<u>28,660,135</u>	<u>36,068,895</u>	<u>25,709,467</u>	<u>24,048,758</u>
Total general fund	<u>\$ 29,938,655</u>	<u>\$ 43,039,353</u>	<u>\$ 49,292,715</u>	<u>\$ 36,172,233</u>	<u>\$ 34,264,489</u>

All other governmental funds:					
Restricted - Special revenue fund	\$ 279,707	\$ 287,268	\$ 365,128	\$ 304,595	\$ 265,417
Total all other governmental funds	<u>\$ 279,707</u>	<u>\$ 287,268</u>	<u>\$ 365,128</u>	<u>\$ 304,595</u>	<u>\$ 265,417</u>

	Fiscal Year				
	2016	2017	2018	2019	2020
General Fund:					
Nonspendable	\$ 7,781,042	\$ 7,850,918	\$ 8,264,483	\$ 5,931,432	\$ 5,806,420
Assigned	3,615,674	8,262,452	14,765,257	49,137,024	56,400,537
Unassigned	<u>21,926,344</u>	<u>12,217,790</u>	<u>17,068,844</u>	<u>262,260</u>	<u>3,014,609</u>
Total general fund	<u>\$ 33,323,060</u>	<u>\$ 28,331,160</u>	<u>\$ 40,098,584</u>	<u>\$ 55,330,716</u>	<u>\$ 65,221,566</u>

All other governmental funds:					
Restricted - Special revenue fund	\$ 265,286	\$ 280,688	\$ 328,504	\$ 395,240	\$ 469,213
Total all other governmental funds	<u>\$ 265,286</u>	<u>\$ 280,688</u>	<u>\$ 328,504</u>	<u>\$ 395,240</u>	<u>\$ 469,213</u>

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

	Fiscal Year			
	2011	2012	2013	2014
<b>Revenues</b>				
Intergovernmental:				
Montgomery County	\$ 1,598,298,058	\$ 1,634,325,263	\$ 1,697,311,813	\$ 1,722,421,710
State of Maryland	672,165,098	765,912,232	776,187,259	802,146,773
Federal Government	146,479,166	88,309,979	77,668,057	79,111,667
Other	6,936,945	6,448,515	6,501,793	7,613,644
Total Revenue	<u>2,423,879,267</u>	<u>2,494,995,989</u>	<u>2,557,668,922</u>	<u>2,611,293,794</u>
<b>Expenditures</b>				
Current:				
Administration	\$ 36,954,635	\$ 35,931,627	\$ 38,361,432	\$ 37,180,315
Mid-level administration	135,139,216	132,955,672	135,537,267	136,161,260
Instructional salaries and wages	824,315,364	806,181,103	831,267,986	862,096,690
Instructional textbooks and supplies	21,939,573	24,407,914	24,850,483	23,239,502
Other instructional costs	11,571,972	13,588,680	13,409,988	13,676,632
Special education	271,395,047	270,775,788	275,623,730	291,929,538
Student personnel services	10,680,737	10,649,399	10,572,269	10,682,855
Health services	16,267	16,908	18,994	16,388
Student transportation	94,135,828	95,559,434	95,911,020	101,036,031
Operation of plant	113,952,839	111,067,453	112,560,889	118,604,859
Maintenance of plant	33,013,662	31,575,617	33,286,341	33,947,985
Fixed charges	636,600,510	666,817,831	705,727,831	758,138,841
Community services	1,608,047	1,519,629	1,888,449	2,281,607
Debt service:				
Capital lease principal	19,024,733	18,844,888	19,394,211	21,691,477
Capital lease interest	1,197,169	897,345	801,273	745,756
Capital outlay	213,558,453	286,212,343	280,935,624	237,654,916
Total expenditures	<u>2,425,104,052</u>	<u>2,507,001,631</u>	<u>2,580,147,787</u>	<u>2,649,084,652</u>
Excess (deficiency) of Revenues over expenditures	(1,224,785)	(12,005,642)	(22,478,865)	(37,790,858)
<b>Other financing sources</b>				
Capital lease financing	\$ 17,645,775	\$ 25,113,901	\$ 28,810,087	\$ 24,609,843
Total other financing sources	<u>17,645,775</u>	<u>25,113,901</u>	<u>28,810,087</u>	<u>24,609,843</u>
Net change in fund balances	<u>\$ 16,420,990</u>	<u>\$ 13,108,259</u>	<u>\$ 6,331,222</u>	<u>\$ (13,181,015)</u>
Debt service as a percentage of noncapital expenditures	0.9%	0.9%	0.9%	0.9%



							Fiscal Year					
							2015	2016	2017	2018	2019	2020
\$	1,746,734,700	\$	1,751,827,765	\$	1,899,983,488	\$	1,942,980,004	\$	1,993,589,587	\$	2,006,838,461	
	818,487,290		832,480,205		873,853,069		896,240,261		923,873,624		987,525,707	
	81,162,630		91,387,696		93,191,282		99,806,421		103,621,276		113,251,972	
	6,557,953		7,979,169		6,778,158		6,877,603		10,968,607		9,152,404	
	<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>		<u>3,116,768,544</u>	
\$	43,121,059	\$	38,137,108	\$	43,005,135	\$	46,373,276	\$	50,821,017	\$	55,151,646	
	136,742,143		138,754,954		145,298,770		146,059,390		148,254,887		154,180,405	
	887,923,350		903,658,977		957,765,591		978,816,045		995,917,614		1,036,247,907	
	23,110,188		20,622,147		26,389,897		23,469,595		29,862,590		32,318,483	
	10,131,255		9,246,817		11,324,064		13,457,116		18,711,018		18,876,983	
	298,528,876		313,795,044		321,502,025		333,569,547		342,604,008		360,469,160	
	11,185,874		11,392,324		11,396,245		11,683,385		12,374,569		12,270,907	
	1,594		836		1,577		1,411		1,590		722	
	102,233,482		103,885,365		105,176,130		106,938,152		110,784,402		109,379,844	
	127,576,145		126,557,151		130,631,994		135,115,367		141,668,968		142,592,029	
	31,557,851		35,772,435		34,661,021		36,696,411		41,193,843		39,130,545	
	759,060,741		750,150,331		819,971,483		813,415,347		807,858,788		771,779,226	
	2,436,418		2,291,995		2,358,835		2,478,259		2,427,511		2,550,386	
	28,238,622		28,223,640		30,098,676		30,934,266		28,850,815		34,587,878	
	784,439		1,086,674		1,028,145		1,183,963		1,469,981		1,589,522	
	234,711,185		223,192,574		269,116,996		285,128,443		317,123,509		380,697,053	
	<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>3,049,925,111</u>		<u>3,151,822,696</u>	
	(44,400,649)		(23,093,537)		(35,920,587)		(19,415,684)		(17,872,016)		(35,054,153)	
\$	42,453,727	\$	22,151,977	\$	30,944,089	\$	31,230,924	\$	33,170,884	\$	45,018,976	
	<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>		<u>45,018,976</u>	
\$	(1,946,922)	\$	(941,560)	\$	(4,976,498)	\$	11,815,240	\$	15,298,868	\$	9,964,824	
	1.2%		1.2%		1.2%		1.2%		1.0%		1.3%	

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, 2019\*

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Operating Revenues:	
Contributions by other agencies	\$ 47,584,549
Contributions by the Board of Education	<u>20,889,252</u>
Total operating revenue	<u>68,473,801</u>
Operating Expenses:	
Self-insurance losses, net of recoveries	53,906,844
Other costs at risk	7,827,176
Commercial insurance	5,695,781
Other operating expenses	<u>3,848,382</u>
Total operating expenses	<u>71,278,183</u>
Operating Gain (Loss)	<u>(2,804,382)</u>
Nonoperating Revenues:	
Interest on investments	4,556,909
Other revenue	<u>578,956</u>
Total nonoperating revenues	<u>5,135,865</u>
Transfers In/Out:	
Transfers In/Out	<u>(4,312)</u>
Total transfers In/Out	<u>(4,312)</u>
Change in net position	<u>2,327,171</u>
Total net position - beginning of year, as restated	<u>(2,830,634)</u>
Total net position (deficit) - end of year	<u>\$ (503,463)</u>

\* Date of the most current available information.

Source: Montgomery County FY 2019 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)
2011	31,405,867	504,223	31,910,090	0.04	32
2012	37,674,880	596,314	38,271,194	0.05	38
2013	47,090,756	713,086	47,803,842	0.06	47
2014	50,009,122	792,703	50,801,825	0.06	50
2015	64,224,227	973,638	65,197,865	0.08	63
2016	58,152,564	655,347	58,807,911	0.07	57
2017	58,997,977	651,328	59,649,305	0.07	57
2018	59,294,633	386,164	59,680,797	0.06	57
2019	63,614,700	494,518	64,109,218	0.07	60
2020	74,045,798	530,255	74,576,053	0.07	70

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 2020 CAFR Demographic Statistics - Last Ten Fiscal Years Table 23.

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

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years	Total Adjusted Levy	Amount (1)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2011	\$1,350,416,973	\$(2,561,448)	\$1,347,855,525	\$1,349,698,631	99.95 %	\$(4,131,942)	\$1,345,566,689	99.83 %
2012	1,365,605,932	(236,694)	1,365,369,238	1,363,217,734	99.83	649,565	1,363,867,299	99.89
2013	1,390,542,228	(1,454,816)	1,389,087,412	1,384,563,178	99.57	789,843	1,385,353,021	99.73
2014	1,437,898,506	(862,565)	1,437,035,941	1,434,787,650	99.78	(1,793,290)	1,432,994,360	99.72
2015	1,447,816,313	1,627,398	1,449,443,711	1,442,602,468	99.64	1,450,995	1,444,053,463	99.63
2016	1,521,343,303	(3,794,269)	1,517,549,034	1,518,519,304	99.81	(9,053,308)	1,509,465,996	99.47
2017	1,663,208,936	(1,467,401)	1,661,741,535	1,661,121,521	99.87	(2,099,975)	1,659,021,546	99.84
2018	1,679,004,512	(2,004,031)	1,677,000,481	1,678,245,742	99.95	(2,005,540)	1,676,240,202	99.95
2019	1,691,044,390	(416,208)	1,690,628,182	1,691,091,714	100.00	178,310	1,691,270,024	100.04
2020	1,720,090,151	-	1,720,090,151	1,711,893,942	99.52	-	1,711,893,942	99.52

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 2020 Table 12, Note (2) for treatment of such overpayments.

Table Reference Source: Montgomery County FY 2020 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		
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
2020	147,243,712,565	155,517,229,156	46,234,426,154	48,841,810,471	193,487,138,719	204,359,039,627	0.977	94.68

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				
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
2020	50,107,770	2,102,502,400	1,588,156,716	360,200,070	4,100,966,956	2.432	197,588,105,675	208,460,006,583

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 revised by the State Department of Assessments and Taxation for FY 2019.
  - \* Ratio for total assessed value to total estimated actual value for FY2020 is the five year average of FY 2015-FY 2019.
  - (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 2020 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 2020 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	District	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District		
<b>Real Property:</b>											
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
2020	.7166	.1068	.0672	.0010	.8916	.0261	.0000	.0170	.0560	.0854	.9770
<b>Personal Property:</b>											
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
2020	1.7915	.2670	.1680	.0025	2.2290	.0653	.0000	.0425	.1400	.2034	2.4324

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.
  - \* Due to Covid-19, the County's Tax Sale, originally scheduled for June 8, 2020, has been postponed to a later date to be determined.
  - \* 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 2020 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 (3)	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
<b>Real Property:</b>												
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
2020	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0740	.1530	.1103
<b>Personal Property:</b>												
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
2020	.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.
- (3) Montgomery Hills Parking Lot District was merged with the Silver Spring Parking Lot District effective July 1, 2017.

Table Reference Source: Montgomery County FY 2020 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>								
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
2020	.2620	.2920	.5397	.0514	.1500	.0990	.2045	.1500
<b>Personal Property:</b>								
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
2020	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
<b>Real Property:</b>					
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
2020	.1312	.0900	.1800	.1000	.2603
<b>Personal Property:</b>					
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
2020	.8000	.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 FY2020 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>										
2011	.0500	.0200	.0000	.0220	.0890	.0480	.0400	.0400	.0520	.0400
2012	.0500	.0200	.0000	.0220	.1005	.0480	.0400	.0460	.0520	.0400
2013	.0500	.0200	.0000	.0220	.1005	.0480	.0400	.0470	.0520	.0400
2014	.0500	.0200	.0000	.0220	.1002	.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
2020	.0400	.0200	.0000	.0200	.0804	.0480	.0400	.0050	.0450	.0400
<b>Personal Property:</b>										
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
2020	.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 2020 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, 2020**

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 1,104,099,069	\$ 38,161,999	\$ 1,065,937,070	0.56 %
JBG Smith	702,852,432	698,668,732	4,183,700	0.36
Federal Realty Investments Trust	591,915,453	587,893,033	4,022,420	0.30
GI Partners	493,304,200	493,304,200	-	0.25
Montgomery Mall LLC	486,823,410	484,141,400	2,682,010	0.25
Verizon Inc.	452,680,140	36,280,900	416,399,240	0.23
Wash Metro Area Transit Auth	412,846,067	412,846,067	-	0.21
Fishers Lane LLC	372,704,723	372,652,833	51,890	0.19
Wheaton Plaza Reg Shopping Center	353,012,407	352,240,667	771,740	0.18
Medimmune, LLC	337,209,451	321,762,001	15,447,450	0.17
<b>Total</b>	<b>\$ 5,307,447,352</b>	<b>\$ 3,797,951,832</b>	<b>\$ 1,509,495,520</b>	<b>2.70 %</b>
<b>Total Assessable Base</b>	<b>\$ 197,588,105,675</b>			<b>100.00 %</b>

**For the Fiscal Year Ended June 30, 2011**

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 686,620,820	\$ 8,067,700	\$ 678,553,120	0.40 %
Verizon Maryland Inc	610,124,340	35,200,000	574,924,340	0.36
Montgomery Mall LLC	340,730,300	340,048,200	682,100	0.20
Washington Gas Light Co.	260,082,650	-	260,082,650	0.15
7501 Wisconsin Avenue LLC	216,903,628	216,903,628	-	0.13
Camalier, Anne D et al, Trustee	214,070,700	214,070,700	-	0.12
Federal Realty Investment Trust	212,000,000	212,000,000	-	0.12
Chevy Chase Land Co	201,681,952	199,101,232	2,580,720	0.12
Democracy Associates	171,000,000	171,000,000	-	0.10
Mirant Mid-Atlantic, LLC	160,293,790	159,999,700	294,090	0.09
<b>Total</b>	<b>\$ 3,073,508,180</b>	<b>\$ 1,556,391,160</b>	<b>\$ 1,517,117,020</b>	<b>1.79 %</b>
<b>Total Assessable Base</b>	<b>\$ 171,646,984,481</b>			<b>100.00 %</b>

Table Reference Source: Montgomery County FY 2020 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		
2011	1,517,280,000	100,000,000	338,320,000	1,955,600,000	1.06	1,969
2012	1,658,970,000	100,000,000	338,320,000	2,097,290,000	1.18	2,085
2013	1,930,155,391	100,000,000	339,827,520	2,369,982,911	1.34	2,333
2014	2,085,028,317	100,000,000	339,671,879	2,524,700,196	1.43	2,462
2015	2,465,315,677	100,000,000	339,516,238	2,904,831,915	1.68	2,809
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	2,977
2018	2,919,530,233	170,000,000	292,692,211	3,382,222,444	1.69	3,213
2019	3,015,532,116	170,000,000	277,106,496	3,462,638,612	1.73	3,261
2020	3,108,554,670	170,000,000	106,386,112	3,384,940,782	1.62	3,161

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 2020 table 8 for estimated actual value of taxable property data.
- (3) See Montgomery County FY 2020 table 23 for population data used in calculating the Per Capita.

Table Reference Source: Montgomery County FY 2020 Table 18.

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

	2011	2012	2013	2014	2015
<b>Assessed Value</b>					
Real property (1,3)	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848	\$ 159,891,865,334	\$ 163,656,758,206
Personal property (2)	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508	3,655,133,210
Total Assessed Value	<u>\$ 171,646,984,481</u>	<u>\$ 165,916,095,468</u>	<u>\$ 161,877,309,598</u>	<u>\$ 163,601,192,842</u>	<u>\$ 167,311,891,416</u>
<b>Legal Debt Margin</b>					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920	\$ 9,819,405,492
For personal property at 15%	578,428,793	557,841,857	540,671,813	556,399,126	548,269,982
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,645,876,345</u>	<u>10,289,670,842</u>	<u>10,037,041,664</u>	<u>10,149,911,046</u>	<u>10,367,675,474</u>
Debt Applicable to Limit:					
General obligation bonds	1,517,280,000	1,658,970,000	1,930,155,391	2,085,028,317	2,465,315,677
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation	338,320,000	338,320,000	339,827,520	339,671,879	339,516,238
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>2,455,600,000</u>	<u>2,597,290,000</u>	<u>2,869,982,911</u>	<u>3,024,700,196</u>	<u>3,404,831,915</u>
Legal Debt Margin	<u>\$ 8,190,276,345</u>	<u>\$ 7,692,380,842</u>	<u>\$ 7,167,058,753</u>	<u>\$ 7,125,210,850</u>	<u>\$ 6,962,843,559</u>
Legal Debt Margin as a Percentage of Debt Limit	77%	75%	71%	70%	67%

	2016	2017	2018	2019	2020
<b>Assessed Value</b>					
Real property (1,3)	\$ 170,176,446,052	\$ 177,495,353,018	\$ 183,993,870,661	\$ 189,051,019,043	\$ 193,487,138,719
Personal property (2)	3,884,349,017	4,051,372,468	4,188,565,266	4,055,452,758	4,100,966,956
Total Assessed Value	<u>\$ 174,060,795,069</u>	<u>\$ 181,546,725,486</u>	<u>\$ 188,182,435,927</u>	<u>\$ 193,106,471,801</u>	<u>\$ 197,588,105,675</u>
<b>Legal Debt Margin</b>					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 10,210,586,763	\$ 10,649,721,181	\$ 11,039,632,240	\$ 11,343,061,143	\$ 11,609,228,323
For personal property at 15%	582,652,353	607,705,870	628,284,790	608,317,914	615,145,043
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,793,239,116</u>	<u>11,257,427,051</u>	<u>11,667,917,030</u>	<u>11,951,379,057</u>	<u>12,224,373,366</u>
Debt Applicable to Limit:					
General obligation bonds	2,582,259,186	2,722,235,195	2,919,530,233	3,015,532,116	3,108,554,670
Variable Rate Demand Obligation	100,000,000	90,000,000	170,000,000	170,000,000	170,000,000
Taxable BABs General Obligation	323,901,913	308,297,064	292,692,211	277,106,496	106,386,112
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>3,506,161,099</u>	<u>3,620,532,259</u>	<u>3,882,222,444</u>	<u>3,962,638,612</u>	<u>3,884,940,782</u>
Legal Debt Margin	<u>\$ 7,287,078,017</u>	<u>\$ 7,636,894,792</u>	<u>\$ 7,785,694,586</u>	<u>\$ 7,988,740,445</u>	<u>\$ 8,339,432,584</u>
Legal Debt Margin as a Percentage of Debt Limit	68%	68%	67%	67%	68%

NOTES:

- (1) See (1) on Montgomery County FY 2020 CAFR Table 8.
- (2) See (2) on Montgomery County FY 2020 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 2020 Table 20

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
AS OF JUNE 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 117,100	100.00 %	\$ 117,100
Poolesville - bonds	232,471	100.00	232,471
Rockville - bonds	30,805,272	100.00	30,805,272
Somerset - bonds	1,155,000	100.00	1,155,000
Takoma Park:			
Bonds	9,188,500	100.00	9,188,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	74,576,053	100.00	74,576,053
MC - capital leases	76,580,591	100.00	76,580,591
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	170,155,000	39.29	66,855,000
Advance land acquisition bonds	620,000	100.00	620,000
Development Districts (2):			
Kingsview Village Center - bonds	319,855	100.00	319,855
West Germantown - bonds	8,515,000	100.00	8,515,000
Total Overlapping Debt			269,114,842
Montgomery County direct debt (5)			4,252,302,542
Total Direct and Overlapping Debt			<u>\$ 4,521,417,384</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 2020 Table 19

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

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2019
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	<u>117,878,586</u>	<u>117,878,586</u>
Total				<u>\$ 1,941,522,955</u>	<u>\$ 1,233,231,425</u>

NOTES:

\* Date of the most current available information. 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**

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income (\$ thousands) (2)</b>	<b>Per Capita Income (3)</b>	<b>Civilian Labor Force (4)</b>	<b>Resident Employment (5)</b>	<b>Unemployment Rate (6)</b>	<b>Average Registered Number of Pupils as of September (7)</b>
2011	991,833	\$74,484,881	\$75,098	536,858	508,575	5.3	143,309
2012	1,005,852	77,350,599	76,901	540,440	512,451	5.2	146,497
2013	1,016,064	74,736,158	73,555	543,131	516,271	4.9	149,018
2014	1,025,617	76,750,007	74,833	543,806	519,929	4.4	151,289
2015	1,033,994	82,629,149	79,913	547,383	526,091	3.9	153,852
2016	1,040,245	87,334,533	83,956	546,204	527,278	3.5	156,447
2017	1,048,244	89,462,226	85,345	554,246	535,516	3.4	159,016
2018	1,052,567	94,404,295	89,690	557,200	539,485	3.2	161,936
2019	1,061,880	97,600,000	91,912	565,866	549,310	3.0	162,680
2020	1,070,928	101,300,000	94,591	561,120	530,500	5.5	164,245

**NOTES:**

- (1) Source: Data for 2010-2018 is from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2019 and 2020 are estimated by the Montgomery County Department of Finance. Data for 2010-2018 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 2011-2018 was published by BEA. Data for 2019 through 2020 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 2011 - 2019. Data for 2020 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY 2019 to the average of the first six months of CY 2020.
- (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 2011-2019 was published by BLS. Data for 2020 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY 2019 to the first six months of CY 2020.
- (6) The unemployment rates for 2011 through 2019 were published by the Bureau of Labor Statistics (BLS), U.S. Department of Labor. Unemployment rate for 2020 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 FY21 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 2020 Table 23

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

Employer	Fiscal Year 2020			Fiscal Year 2011		
	Rank	Employees (1)	Percentage of Total County Employment (2,3)	Rank	Employees (1)	Percentage of Total County Employment (2,3)
U.S. Department of Health and Human Services	1	25,000 - 30,000	5.82 %	1	>30,000	5.88 %
Montgomery County Public Schools	2	25,000 - 30,000	4.77	2	20,000 - 25,000	4.81
Montgomery County Government	3	10,000-15,000	2.65	4	5,000 - 10,000	1.60
U.S. Department of Defense	4	5,000-10,000	1.59	3	10,000 - 15,000	2.67
Adventist Healthcare	5	5,000-10,000	1.59	7	5,000 - 10,000	1.60
Holy Cross Hospital of Silver Spring	6	2,500-5,000	0.79		*	-
Marriott International Admin Svcs, Inc.	7	2,500-5,000	0.79	6	5,000 - 10,000	1.60
Montgomery Community College	8	2,500-5,000	0.79		*	-
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	1.60
Lockheed Martin Corporation		*	-	8	2,500 - 5,000	0.80
Giant Food Corporation		*	-	9	2,500 - 5,000	0.80
Verizon		*	-	10	2,500 - 5,000	0.80
Total			<u>20.37 %</u>			<u>22.16 %</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 2019 and CY 2011

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

(2) Percentages are based on the midpoint of the employment range and average total Montgomery County employment of FY 2020 and FY 2011 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 FY 2020 was 472,125 and in FY 2011 was 467,700.

Table Reference Source: Montgomery County FY 2020 Table 22





High School Graduate with his family, 2020

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

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Governmental Activities:</b>					
Instruction:					
Total enrollment <sup>(1)</sup>	144,064	146,497	148,779	151,289	153,852
Regular students <sup>(1)</sup>	142,342	144,571	146,930	149,390	152,092
ESOL students <sup>(2)</sup>	17,900	18,650	19,200	22,088	23,386
Special education classroom students <sup>(2)</sup>	9,067	9,533	11,614	16,339	16,462
Cost per pupil (accrual basis) <sup>(5)</sup>	\$ 16,590	\$ 16,476	\$ 16,511	\$ 17,240	\$ 16,919
Number of teaching stations <sup>(3)</sup>	7,101	7,492	7,313	7,584	7,595
Average Teacher Salary <sup>(6)</sup>	\$ 73,638	\$ 72,356	\$ 75,463	\$ 75,452	\$ 76,029
Student/Teacher ratio - Regular Instruction <sup>(4)</sup>	14:1	14:1	14:1	14:1	14:1
Average SAT score <sup>(1) *</sup>	1,637	1,651	1,648	1,650	1,629
Seniors taking SAT <sup>(1)</sup>	71 %	71 %	69 %	69 %	68 %
Average ACT score	23	23	23	24	24
Seniors taking ACT	29.3 %	30.0 %	29.3 %	29.6 %	34 %
Building capacity used <sup>(3) #</sup>	99.5 %	99.5 %	102 %	99 %	101 %
Support services:					
Student transportation:					
Number of buses <sup>(1)</sup>	1,268	1,264	1,264	1,270	1,273
Students transported <sup>(1)</sup>	98,535	100,158	99,300	101,949	101,949
Operation of plant:					
School buildings <sup>(1)</sup>	200	200	202	202	203
Square footage <sup>(3)</sup>	23.5 million	24.2 million	24.6 million	24.9 million	24.9 million
Number of rooms <sup>(3)</sup>	7,737	7,898	7,950	8,157	8,169
Maintenance of plant:					
Work orders completed	64,754	61,529	60,305	59,862	63,980
Average building age (years) <sup>(3) +</sup>	23	22	22	23	22
Administration:					
Payments issued	64,504	65,035	64,880	64,506	61,911
Purchased orders issued	59,866	33,436	33,663	48,375	37,763
<b>Business-Type Activities:</b>					
Food Service:					
Meals served <sup>(7)</sup>	13.7 million	14.6 million	14.6 million	15.1 million	17.2 million
Free and Reduced meals <sup>(7)</sup>	8.9 million	9.6 million	9.9 million	10.3 million	11.9 million
Real Estate Management:					
Square footage under lease	167,416	169,432	169,768	185,375	179,686
Average annual rental months	11.42	11.31	11.28	11.06	11.7
Field Trip:					
Number of trips run	10,913	11,632	11,490	11,509	11,187
Trip miles	427,679	440,462	433,456	421,296	436,954
Entrepreneurial activities:					
Science kits sold	5,676	4,748	3,546	1,854	2,293

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.

Overall field trips and field trip miles reduced due to no trips taking place after 3/13/29 due to COVID-19

Sources for 2020:

(1) The Superintendent's FY 2021 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) 2019-2020 Schools at a Glance, FY2021 Capital Budget

(3) FY 2020 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 2020 Fact Sheet prepared by Employee and Retiree Service Center

(7) Breakfast and Lunch were served until 3/13/20 due to COVID-19. Summer meals have been served after this period and are not included in these figures.

Fiscal Year				
2016	2017	2018	2019	2020
156,447	159,010	161,470	162,600	165,267
154,288	157,047	159,447	160,519	163,097
26,127	25,867	26,597	28,651	28,417
17,053	17,861	18,084	18,211	18,965
\$ 16,833	\$ 17,538	\$ 17,203	\$ 18,174	\$ 18,272
8,307	8,307	7,987	8,083	8,169
\$ 75,717	\$ 79,604	\$ 82,809	\$ 81,085	\$ 83,828
14:1	14:1	14:1	14:1	14:1
1,631	1,126	1,167 *	1,119 *	NA
65 %	62 %	66 %	76 %	NA
25	25	25	26	NA
35.6 %	39.6 %	34.4 %	30.7 %	NA
101 %	101 %	101 %	101 %	96 %
1,287	1,290	1,323	1,378	1,378
104,000	101,225	102,067	104,555	103,973
204	204	205	207	207
23.9 million	23.7 million	24.3 million	24.4 million	24.9 million
8,184	8,320	8,540	8,640	8,721
67,083	67,740	69,918	73,466	65,703
24	25	25	26	26
57,476	56,441	54,787	53,609	45,667
37,929	36,153	34,543	32,411	24,918
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	7.5 million
207,177	173,797	192,500	187,912	201,894
11.1	11.6	11.6	11.7	11.7
12,264	13,266	13,295	13,885	11,767
478,034	503,020	522,322	549,635	394,882
3,570	2,334	2,056	3,654	1,710

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

	2011	2012	2013	2014
<b>Governmental Activities:</b>				
Instruction				
Regular instruction:				
Teachers	9,453	9,467	9,617	9,887
Other staff	1,351	1,208	1,211	1,205
Total Regular instruction	<u>10,804</u>	<u>10,675</u>	<u>10,828</u>	<u>11,092</u>
Special education:				
Teachers	2,117	2,114	2,141	2,201
Other staff	1,545	1,547	1,556	1,591
Total Special education	<u>3,662</u>	<u>3,661</u>	<u>3,697</u>	<u>3,792</u>
School administration	1,683	1,669	1,673	1,675
Student personnel services	110	109	107	108
Total Instruction	<u>16,259</u>	<u>16,114</u>	<u>16,305</u>	<u>16,667</u>
Support services:				
Student transportation	1,742	1,733	1,733	1,733
Operation of plant	1,407	1,430	1,431	1,442
Maintenance of plant	380	380	380	375
Administration	339	327	328	333
Total Support services	<u>3,868</u>	<u>3,870</u>	<u>3,872</u>	<u>3,883</u>
Special Revenue:				
Instructional TV	14	13	13	13
Business-Type Activities:				
Food Service	584	584	583	583
Real Estate Management	7	7	7	7
Field Trips	5	5	5	5
Entrepreneurial activities	9	9	13	13
Position Grand Total	<u>20,746</u>	<u>20,602</u>	<u>20,798</u>	<u>21,171</u>

Source:  
 The Superintendent's FY 2020 Operating Budget

Fiscal Year					
2015	2016	2017	2018	2019	2020
10,119	10,029	10,572	10,611	10,716	10,882
1,085	1,022	1,141	1,056	1,071	1,120
<u>11,204</u>	<u>11,051</u>	<u>11,713</u>	<u>11,667</u>	<u>11,787</u>	<u>12,002</u>
2,241	2,272	2,299	2,355	2,387	2,461
1,626	1,659	1,682	1,699	1,743	1,787
<u>3,867</u>	<u>3,931</u>	<u>3,981</u>	<u>4,054</u>	<u>4,130</u>	<u>4,248</u>
1,678	1,655	1,678	1,689	1,680	1,700
112	112	112	118	123	118
<u>16,861</u>	<u>16,749</u>	<u>17,484</u>	<u>17,528</u>	<u>17,719</u>	<u>18,069</u>
1,733	1,721	1,741	1,737	1,747	1,760
1,594	1,594	1,592	1,617	1,636	1,653
351	356	354	369	369	369
347	341	336	366	356	363
<u>4,025</u>	<u>4,012</u>	<u>4,023</u>	<u>4,089</u>	<u>4,107</u>	<u>4,145</u>
14	14	14	14	14	14
585	585	588	588	598	604
7	9	12	12	12	12
5	5	5	5	5	5
13	14	12	12	12	12
<u>21,510</u>	<u>21,388</u>	<u>22,138</u>	<u>22,248</u>	<u>22,466</u>	<u>22,860</u>



Sherwood High School Graduation, 2020



Maryland's Largest School District

## MONTGOMERY COUNTY PUBLIC SCHOOLS

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