



Comprehensive Annual

FY 2017

Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

ROCKVILLE, MARYLAND

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

Board of Education of Montgomery County

GUIDING TENETS

VISION

We inspire learning by providing the greatest public education to each and every student.

MISSION

Every student will have the academic, creative problem solving, and social emotional skills to be successful in college and career.

CORE PURPOSE

Prepare all students to thrive in their future.

CORE VALUES

- **Learning**

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

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

- **Relationships**

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

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

- **Respect**

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

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

- **Excellence**

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

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

- **Equity**

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
A Component Unit of Montgomery County, Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2017

Prepared by:

Office of the Chief Financial Officer

Nicola Diamond, *Chief Financial Officer*
Bei (Susan) Chen, CPA, *Controller*

Cover Photograph:
Silver Creek MS

850 Hungerford Drive
Rockville, MD 20850

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

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September 29, 2017



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

Maryland State law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (U.S. GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the Montgomery County Board of Education (Board) for the fiscal year ended June 30, 2017.

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's 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 prekindergarten through Grade 12 to children residing within the borders of Montgomery County, Maryland. The Board is composed of five district members and two at-large members elected for a four-year term, and one student member elected for a one-year term. The Board determines educational policy and employs a superintendent of schools

to administer the school system. Primary funding is provided by Montgomery County from its general revenues. Funds also are received from state and federal sources for general school aid and specific purpose grants.

The Board's annual Operating Budget is approved by the Montgomery County Council. The Board has no power to levy and collect taxes or increase the budget. Because of the relationship with Montgomery County, the Board is considered a component unit of the Montgomery County Government, as defined by U.S. GAAP for governmental entities.

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

Relevant Financial Policies

The school system financial policies, endorsed by Board policies and regulations, remain unchanged: organize and optimize resources for improved academic results; deliver high academic results at a low student cost; evaluate the use of resources for applicability to goals of the Board; provide financial accountability and transparency to the citizens of Montgomery County; obtain a fair share of state aid; and carefully manage indebtedness and debt service.

The Board uses zero-based budgeting as a tool to manage its exposure to rising costs and to assure spending is efficient. Innovative approaches to continuous improvement are employed to streamline processes and eliminate waste and to measure process performance in meeting the goals of the Board.

Factors Affecting Financial Condition

Local economy—Montgomery County's economy experienced a mixed economic performance during the second quarter of Calendar Year 2017 according to the county's Department of Finance. The reasons include an increase in resident employment, no change in the unemployment rate, a decrease in existing home sales, and an increase in median prices for existing homes in Montgomery County.

According to the Bureau of Labor Statistics, U.S. Department of Labor, as reported by the county's Office of Finance published in its Economic Indicators Report as of July 2017, Montgomery County's resident employment for the second quarter of 2017 increased by nearly 12,000 (+2.2 percent) from the second quarter of 2016. On a fiscal year basis, resident employment was at 539,000 in Fiscal Year (FY) 2017 compared with 529,200 in FY 2016. This was an increase of 9,800 persons employed (+1.8 percent).

The Office of Finance's report also indicated that the county's average monthly unemployment rate during the second quarter of 2017 was 3.2 percent and was the same rate during the second quarter of 2016. The unemployment rate declined from 3.5 percent for FY 2016 to 3.3 percent in FY 2017. Throughout FY 2017, the county's unemployment rate remains one of the lowest in the state of Maryland.

On a calendar year basis, the county reports that the construction of single-family homes increased 10 percent while construction of multi-family units decreased by 32.2 percent. Moreover, residential construction starts added a total of \$191.6 million (+5.0 percent) during the second quarter of 2017 compared with \$182.5 million during the second quarter of 2016. On a fiscal year basis, the number of new residential construction starts decreased by 15.4 percent in FY 2017 and was largely attributed to the decline in multi-family units and the total value added was \$825.6 million, 18.9 percent less than FY 2016.

During the second quarter of 2017, existing home sales decreased by 2.5 percent compared with the second quarter of 2016. This follows an increase of 9.9 percent during the second quarter of 2016 compared with the second quarter of 2015. Median sales prices for existing homes increased 3.9 percent during the second quarter of 2017. This follows an increase of 2.6 percent during the second quarter of 2016 compared with the second quarter of 2015.

Finally, using sales tax receipts as a measure of retail sales in the county, the Department of Finance reports that retail sales increased by an estimated 2.1 percent in FY 2017 mostly attributed to the sale of non-durable goods (e.g., food, beverages, apparel, general merchandise, utilities, and transportation). Sales of durable goods decreased by 0.2 percent in FY 2017. The increase in non-durable goods was largely due to the purchase of apparel and utilities/transportation. The decrease in durable goods was solely attributed to a decrease in the purchase of furniture and appliances.

Long-term financial planning—Montgomery County's Department of Finance expects the county's payroll employment to grow at an average annual rate of 0.8 percent per year through 2023. This is slightly below the average annual growth rate of 0.9 percent between 2009 and 2016.

Wage and salary income is expected to grow at an average annual rate of 4.2 percent through 2023. This is higher than the 4.0 percent forecast one year ago through 2022. Total wage and salary income is expected to reach \$49.8 billion for the county by 2023. Personal income in the county is estimated to grow at an average annual rate of 4.4 percent through 2023. By 2023, total personal income is projected to reach \$112.5 billion.

The annual average inflation rate for the region is projected to increase from 1.18 percent in 2016 to 2.2 percent in 2017. Looking ahead, inflation is projected at 2.3 percent in 2018 and 2019 and to increase to 2.5 percent from 2021 to 2023.

Negotiated agreements—During FY 2017, the Board reached agreement on three-year agreements covering economic and non-economic terms with all three employee associations. All groups are covered under separate three-year agreements, effective July 1, 2017, through June 30, 2020. All contracts

will be open for negotiations on wages alone for the second and third years. The bargaining units are the Montgomery County Education Association (MCEA), representing certificated nonadministrative employees; the Service Employees International Union (SEIU) Local 500, representing supporting services employees; and the Montgomery County Association of Administrators and Principals (MCAAP)/Montgomery County Business and Operations Administrators, representing certificated and noncertificated administrators and noncertificated supervisory employees in separate units. The two MCAAP units are covered in a single contract.

The Board ratified these three-year agreements between April and June, 2017. Based on the three agreements, employees received a general wage increase of 1 percent effective July 1, 2017, which is reflected in the FY 2018 budget. The agreements ratified between April and June 2017 also provide annual step increases and longevity increases for FY 2018 based on certain eligibility criteria. The contracts all continue to emphasize and support the collaborative relationship between the Board and the employee associations and all contain new language on continued enhancement of this relationship.

The agreements include adjustments to employee benefits that will result in savings of approximately \$6 million per year. That money was used differently in each contract to meet a variety of needs in each unit. An agreement was reached with all three units to establish “Family Crisis Leave” banks, which will be seeded with days in the first year from this money. The MCEA contract includes additional paid leave days for hospitalization for child birth. The SEIU contract includes assistance with student debt relief and emergency child care. The MCAAP contract calls for an additional longevity step for employees who have served 20 years as an administrator in Montgomery County Public Schools (MCPS) and enhanced compensation for administrators serving in Title I schools, schools with high Free and Reduced-price Meals System rates, and schools undergoing major construction. Negotiations with the employee associations will begin in fall 2017 for economic terms only to be effective July 1, 2018.

Enrollment—Public school enrollment has increased by 36,505 students in the last 20 years. Enrollment increases during this period are a product of a strong regional economy and housing market. Annual increases in enrollment have averaged more than 2,500 students per year in the past five years. The international economic decline observed in the late 2000s and early 2010s impacted MCPS enrollment trends. More students enrolled in public school from private schools, housing occupancy increased in some areas of the county, and migration out of the county decreased because economic conditions were more severe elsewhere. Enrollment has increased by 21,265 students in the nine-year period from 2007 to 2016. More than half of this enrollment increase, 15,706 students, has occurred at elementary schools. For the 2016–2017 school year, MCPS official enrollment totaled 159,010 students, an increase of 2,563 students from the prior year. Total school system enrollment is projected to increase by 9,470 students by the 2022–2023 school year.

School capacity continues to be an issue due to past enrollment increases, while facing projected future enrollment increases. Additional space needs are the result of increases in county births and migration into the school system. For the 2016–2017 school year, 388 relocatable classrooms were in use to address overutilization at various schools throughout the system—333 of which were at elementary schools where space issues are most pronounced. To relieve overutilization of schools, the Board will build two new elementary schools and one new middle school in the next six years.

The Board also has a program for the major capital projects at older schools. In the adopted Capital Improvements Program (CIP), construction funds have been approved for major capital projects at three elementary schools, one middle school, and one high school. The Board also adds capacity to schools through classroom additions. In the next six years, based on the adopted CIP, a total of 358 classrooms will be added at schools through classroom additions and expansion of schools undergoing major capital work. Even with all of these capital projects, the Board will continue to face space shortages in many of our schools.

Accomplishments and Awards

Top high schools—Five high schools rank in the top 200 of *The Washington Post 2017 High School Challenge*, and all 25 high schools appear on this list, which only includes the top 11 percent of high schools in the country. Nine high schools are included in the *U.S. News & World Report 2017* list of Best High Schools. The Board had the top five high schools in the state of Maryland.

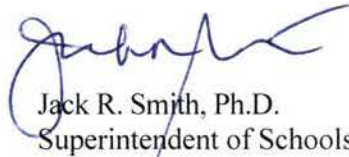
Academic progress—Students at all levels are demonstrating improved academic achievement. The emphasis on rigorous course taking resulted in 34,760 Advanced Placement (AP) exams taken by the Board's students in 2016. Students earned a college-ready score (3 or higher) on 74.1 percent of those exams. Moreover, in 2016, the percentage of AP exams taken by the Board's Black or African American students (50.1 percent) that earned college-ready scores of 3 or higher (50.1 percent) was significantly higher than the percentages of Black or African American students in Maryland (34.2 percent) and the nation (28.1 percent). In 2016, the percentage of AP exams taken by Hispanic/Latino students that earned college-ready scores of 3 or higher (60.0 percent) was greater than the percentage of exams for Hispanic/Latino students in Maryland (53.6 percent) and the nation (41.1 percent). We are proud of our student accomplishments, but we must continue to strive for even greater achievement for all of our students.

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, 2016, for the thirteenth consecutive year. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. For 36 consecutive years, the Board has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. This award, valid for one year, is granted only after an intensive review of the CAFR by an expert panel of certified public accountants and practicing school business officials. The Board plans to submit the 2017 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

Acknowledgements

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

Sincerely,



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



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



Nicola Diamond
Chief Financial Officer

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Government Finance Officers Association

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

Presented to

**Montgomery County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Montgomery County Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
Executive Director

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

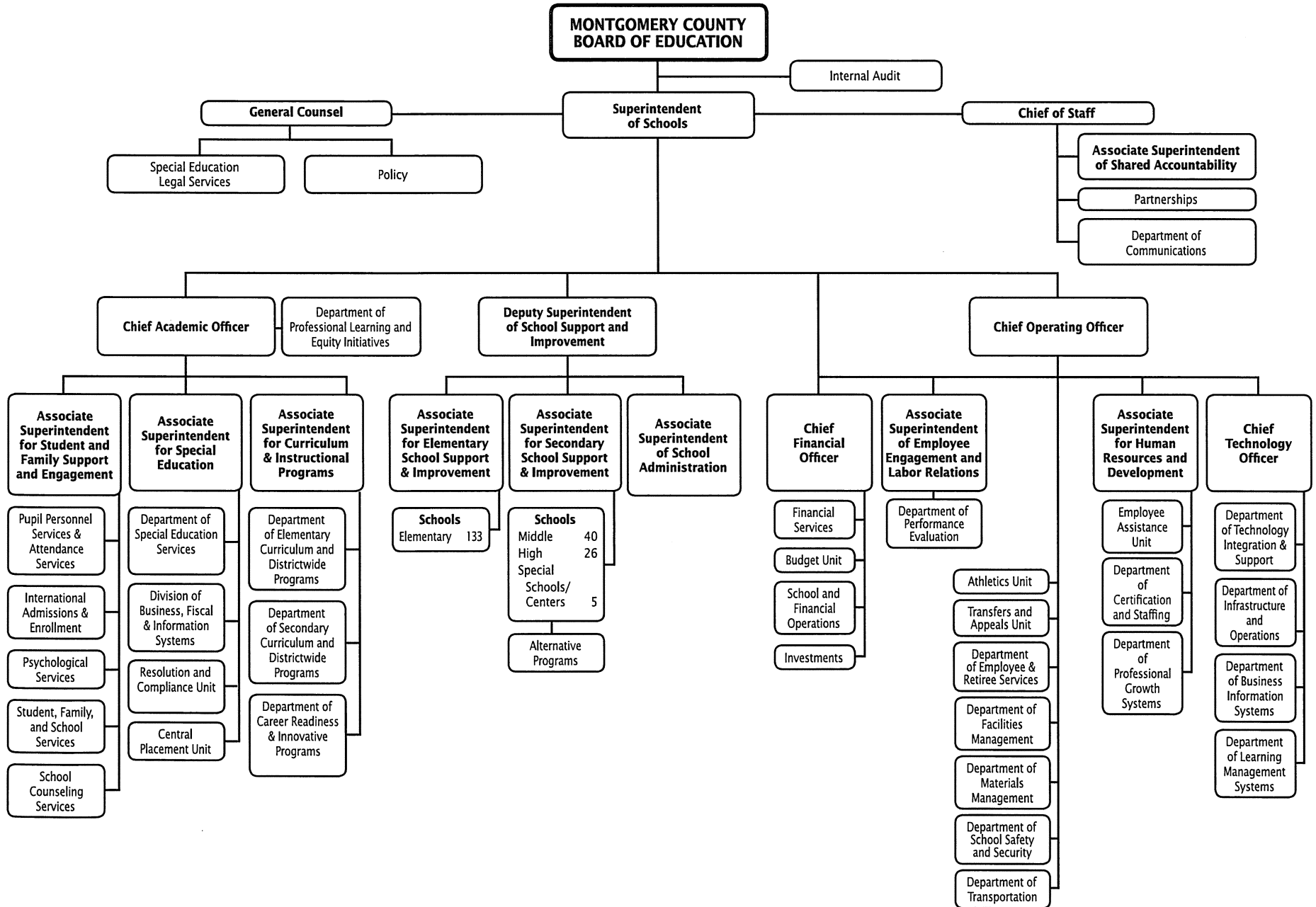
MEMBERS OF THE BOARD OF EDUCATION

Michael A. Durso, President
Judith R. Docca (Dr.), Vice President
Jeanette E. Dixon
Shebra L. Evan
Patricia O’Neill
Jill Ortman-Fouse
Rebecca Smondrowski
Matthew Post, Student Board Member

EXECUTIVE STAFF

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

MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION—FY 2018



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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The Board of Education of Montgomery County, Maryland operating as Montgomery County Public Schools (the Board) a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 14 through 28 and the required supplementary information on pages 87 through 141 , as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2017

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, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information presented in the transmittal letter, which can be found on pages 1– 6 of this report.

Financial Highlights

- The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows at June 30, 2017, by \$1,729.7 million, which represents its net position.
- The Board's net position increased during the year by \$90.4 million.
- 80 percent of capital asset additions were directed toward instructional facilities.
- The Board successfully generated \$23.17 million in FY 2017 budgetary savings to be used to fund future operating budgets.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiduciary funds. The Board is the trustee, or fiduciary, for assets that belong to others, which includes the Montgomery County Public Schools Employee Retirement and Pension Plan, the 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 47–85 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 102–112 of this report.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 245.2	\$ 207.9	\$ 15.3	\$ 10.0	\$ 260.5	\$ 217.9
Capital assets	2,786.7	2,673.4	5.5	4.4	2,792.2	2,677.8
Deferred outflows of resources	267.6	217.0			267.6	217.0
Total assets and deferred outflows resources	3,299.5	3,098.3	20.8	14.4	3,320.3	3,112.7
Long-term liabilities outstanding	1,236.1	1,137.2	11.6	11.1	1,247.7	1,148.3
Other liabilities	233.7	210.5	4.8	4.2	238.5	214.7
Deferred inflows of resources	104.4	110.4			104.4	110.4
Total liabilities and deferred inflows resources	1,574.2	1,458.1	16.4	15.3	1,590.6	1,473.4
Net Position:						
Net investment in capital assets	2,750.0	2,639.4	5.5	4.4	2,755.5	2,643.8
Restricted for instructional programs	0.3				0.3	
Unrestricted	(1,025.0)	(999.2)	(1.1)	(5.3)	(1,026.1)	(1,004.5)
Total net position	\$ 1,725.3	\$ 1,640.2	\$ 4.4	\$ (0.9)	\$ 1,729.7	\$ 1,639.3

Government-wide Financial Analysis

Net position may serve as a useful indicator of a government's financial position. The Board's net position, the amount by which assets exceed liabilities, increased \$90.4 million to \$1,729.7 million. The increase came from governmental activities, which increased by \$85.1 million to \$1,725.3 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 \$110.6 million to \$2,750.0 million. These assets are used by the Board in its instructional programs; consequently, these assets are not available for future spending.

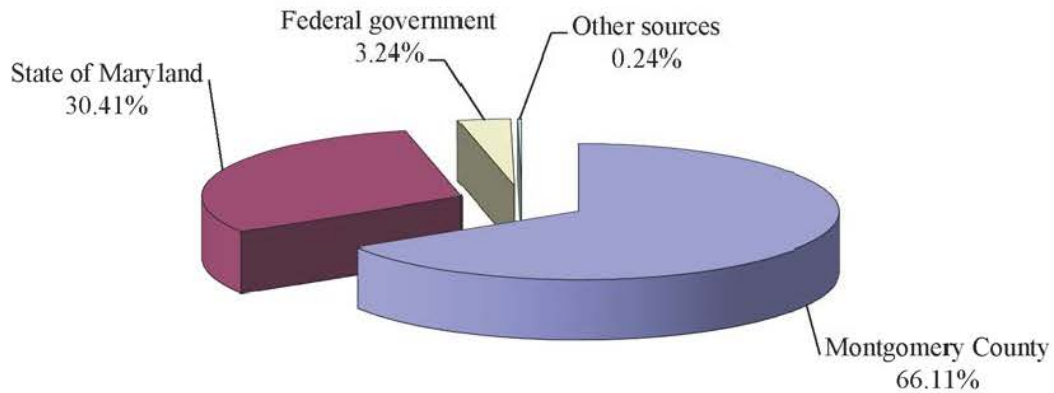
Montgomery County and the State of Maryland fund the Board school construction projects through the issuance of general obligation bonds. These bonds are not reflected in the Board's investment in capital assets, as the resources needed to repay these bonds must be provided by Montgomery County and the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

The unrestricted net deficit increased \$21.6 million to a \$1,026.1 million deficit at June 30, 2017. The increase in unrestricted net deficit is primarily attributed to the increase in the net OPEB obligation of \$31.1 million. The net OPEB obligation increased from \$573.7 million to \$604.8 million as result of underfunded annual OPEB required contribution. The compensated absences increased \$2.26 million. The pension expense increased \$9.8 million. The expense increases were offset by savings from the Internal Service fund balance of \$20.0 million, a decrease of \$1.86 million of lease activities, and instruction TV fund balance classified from the unrestricted to the restricted.

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

Also, the Board implemented GASB Statement 68 in FY 2015. With the reporting change, the Board recorded the Employees' Retirement and Pension System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Since the Board employees are also covered by the Maryland State Retirement and Pension System (the System), the Board is allocated its proportionate share of State Employees' Retirement and Pension system's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Board.

Revenues by Source - Governmental Activities



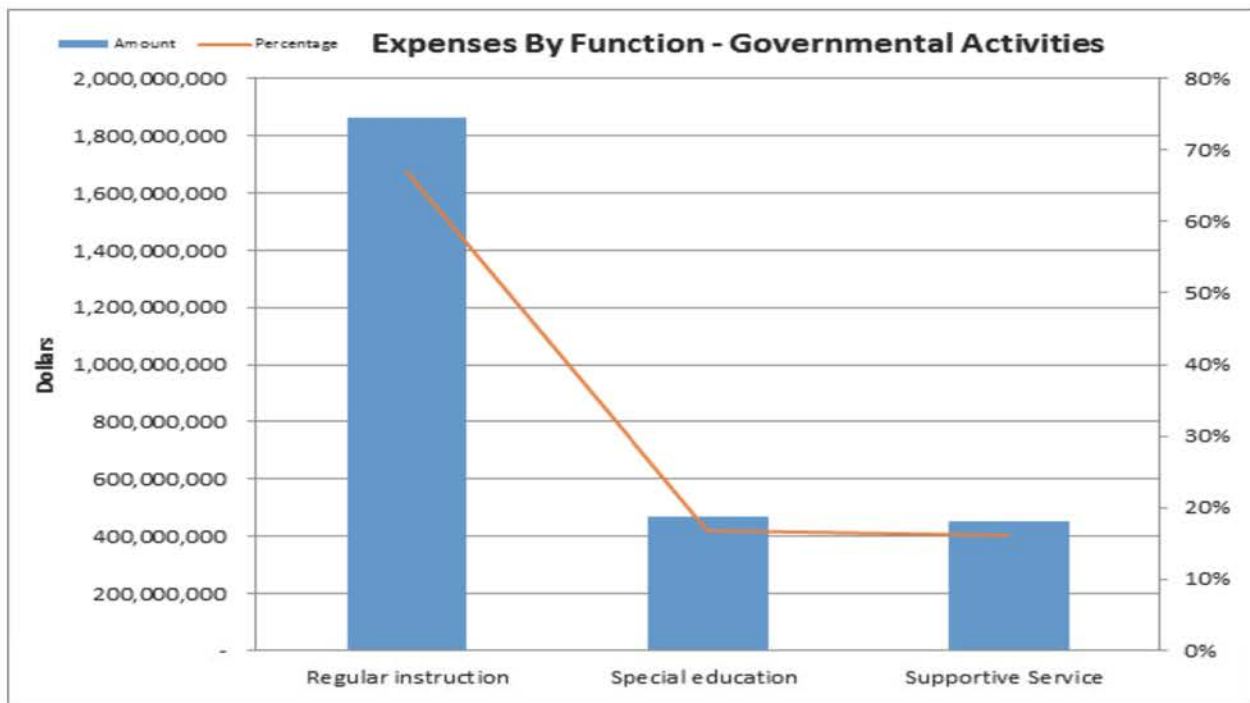
Governmental activities. Governmental activities unrestricted net deficit increased \$25.8 million to a deficit of \$1,025.0 million at June 30, 2017. The increase in unrestricted net deficit arose primarily from an increase of \$30.3 million in the net OPEB obligation, \$2.3 million in compensated absences, \$9.8 million in pension expense, and a fund balance deficit of \$5.0 million from 2017 operations. The deficit is offset by savings of \$1.9 million in lease activities, and \$20.0 million in the Internal Service fund balance. In addition, fund balance from the instruction TV special revenue fund was reclassified from unrestricted to restricted instructional programs, expendable.

Total revenues for the Board's governmental activities increased \$183.6 million (6.8 percent). Intergovernmental revenues increased \$175.2 million (6.9 percent), and operating grants revenues decreased \$1.9 million (2.4 percent). Intergovernmental revenues from Montgomery County increased \$129.3 million (7.6 percent). The increase is primarily due to an increase of \$111.3 million in general operating revenue and an increase of \$18 million in capital projects revenue in 2017. Intergovernmental revenue from the State of Maryland increased \$42.1 million (5.1 percent), related to an increase of \$37.6 million in unrestricted *Bridge to Excellence* formula-driven grants, and an increase of \$4.5 million in construction funds. Federal intergovernmental revenue increased \$3.8 million, largely due to an increase of \$2.9 million in Medicare Part D subsidies and \$0.9 million from FEMA for 2016 winter storm expenses.

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

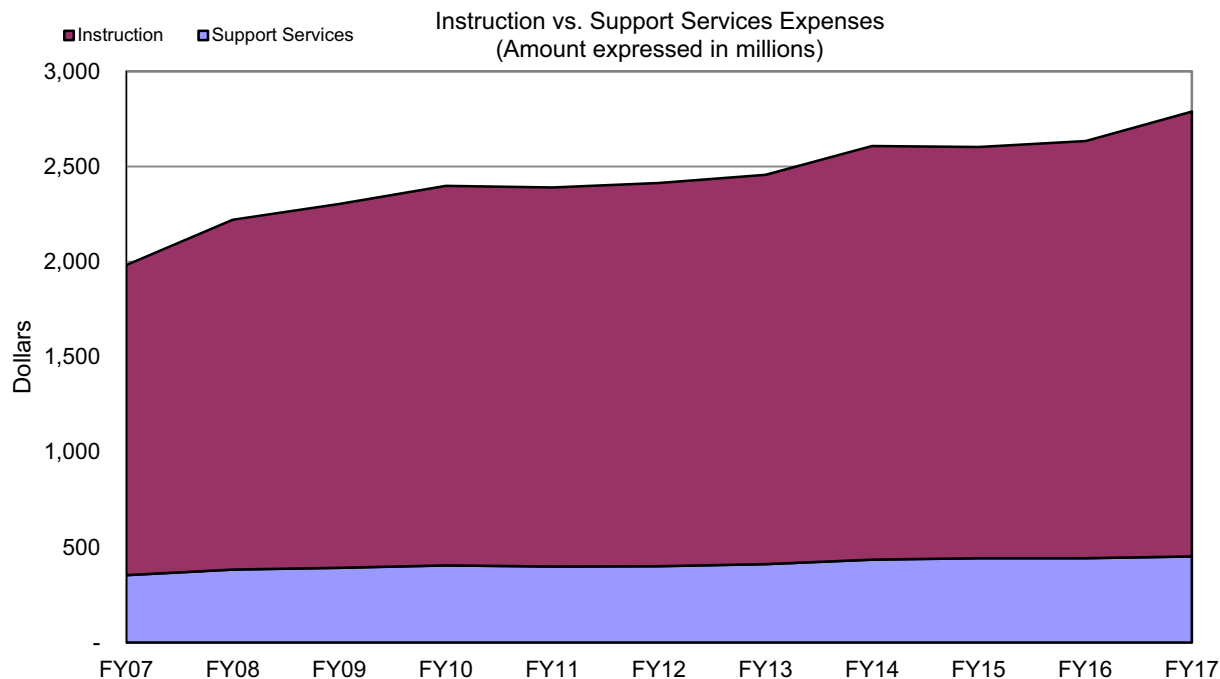
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 4.2	\$ 4.0	\$ 26.5	\$ 24.1	\$ 30.7	\$ 28.1
Operating grants and contributions	76.4	78.3	44.1	41.3	120.5	119.6
Capital grants and contributions	72.6	54.6	1.9	0.1	74.5	54.7
General revenues:						
Intergovernmental	2,720.3	2,545.1			2,720.3	2,545.1
Other	0.3	8.2			0.3	8.2
Total revenues	<u>2,873.8</u>	<u>2,690.2</u>	<u>72.5</u>	<u>65.5</u>	<u>2,946.3</u>	<u>2,755.7</u>
Expenses:						
Regular instruction	1,633.0	1,509.1			1,633.0	1,509.1
Special education	468.5	456.8			468.5	456.8
School administration	217.9	207.8			217.9	207.8
Student personnel services	17.1	17.1			17.1	17.1
Health services						
Student transportation	140.7	138.8			140.7	138.8
Operation of plant	170.8	170.0			170.8	170.0
Maintenance of plant	71.5	69.8			71.5	69.8
Administration	65.0	59.9			65.0	59.9
Community services	3.2	3.1			3.2	3.1
Interest on capital leases	1.0	1.1			1.0	1.1
Food services			58.1	56.5	58.1	56.5
Real estate management			3.2	3.3	3.2	3.3
Field trips			2.0	2.0	2.0	2.0
Entrepreneurial activities			3.9	2.5	3.9	2.5
Total expenses	<u>2,788.7</u>	<u>2,633.5</u>	<u>67.2</u>	<u>64.3</u>	<u>2,855.9</u>	<u>2,697.8</u>
Increase (decrease) in net position	85.1	56.7	5.3	1.2	90.4	57.9
Net position - Beginning	<u>1,640.2</u>	<u>1,583.5</u>	<u>(0.9)</u>	<u>(2.1)</u>	<u>1,639.3</u>	<u>1,581.4</u>
Net position - Ending	<u>\$ 1,725.3</u>	<u>\$ 1,640.2</u>	<u>\$ 4.4</u>	<u>\$ (0.9)</u>	<u>\$ 1,729.7</u>	<u>\$ 1,639.3</u>

Total expenses for the Board governmental activities increased \$155.2 million (5.9 percent) to \$2,788.7 million. In 2017, instructional programs expenses accounted for 84 percent, (83 percent in 2016), and support services accounted for 16 percent (17 percent in 2016) of total governmental activities expenses.



Special education service and instructional expenses decreased by 1 percent as the result of internal savings and cost reduction programs which are the primary source for funding instructional program initiatives. Employee healthcare benefits contributions increased \$30.7 million (12.7 percent). Other postemployment healthcare benefits contribution increased \$24.8 million from tax supported funding. 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 2017.

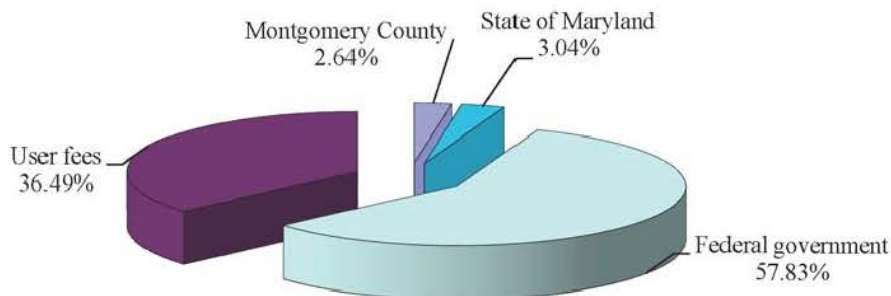
General fund salaries increased \$72.0 million (4.7 percent) primarily due to steps and longevity increases in FY 2017. In order to close the FY 2017 Operating Budget funding gap, the Board took several steps at its meeting on June 14, 2016, when it approved the final FY 2017 Operating Budget. One of those steps was to approve the FY 2017 Operating Budget, which included a 1 percent salary increase for all pay schedules effective July 1, 2016, instead of the pay increases that had been scheduled for September 3, 2016. Also eliminated were the “makeup step” to be effective March 4, 2017, and the revised salary schedules for all bargaining units to be effective that same date. The Board’s FY 2017 adopted budget in February 2016 had included an increase of \$55.3 million for continuing salaries and related benefits. This amount anticipated a 2 percent general wage adjustment (GWA) and step increases for eligible employees scheduled for September 3, 2016, and a makeup step increase for eligible employees that was to be effective on March 4, 2017. Based on a GWA of 1 percent, as well as step and longevity increases for eligible employees, which was effective on July 1, 2016, this amount was reduced by \$22.1 million for a total of \$33.2 million.



Business-type activities. Business-type activities increased the Board’s net position by \$5.3 million. Total revenues increased \$7 million (10.7 percent) to \$72.5 million. Charges for services increased \$2.4 million (10 percent) due to an increase of \$1 million on sale of food and \$1.4 million in school bus safety program. The number of paid and reduced meals served for breakfast and lunch increased by 532,000 (6.99 percent), which resulted in an increase of \$0.8 million. The Ala carte sales was also increased by \$0.2 million due to the addition of new items meeting the smart snacks requirements in addition an increase of \$24,500 on catering sale. Operating grants related to federal programs increased \$2.6 million (7.1 percent), state programs and USDA commodities increased \$0.2 million (4.1 percent). In FY 17 federal free lunch meals increased by 504,530 and paid meals increased by 250,970. The rate for paid meals served in federal lunch program increased from \$0.37 to \$0.38 and free meals reimbursement rate increased from \$3.15 to \$3.24 which resulted in an increase of \$1.4 million (6.6 percent) for the Federal lunch program. The breakfast meal revenue increased \$0.7 million due to an additional 443,481 breakfasts served to students. Supper meals sold increased by 71,399 over FY 16 and a rate change from \$3.31 to \$3.39 resulted in an increase of revenue \$0.3 million. The Fresh Fruit and Vegetable program expanded to 10 schools in FY 17 resulting in an increase in this program of \$178,000. The Capital contribution related to food service equipment in schools increased \$1.8 million.

Total expenses increased \$2.9 million (4.5 percent). Food services operating expenses increased \$1.6 million (2.83 percent) and entrepreneurial activities expenses increased \$1.4 million (56 percent), offset by a decrease of \$0.1 million (3.0 percent) of real estate management expenses. Food purchases increased \$0.8 million (4.9 percent). The increase in food cost for FY 17 is due to an increase of 948,011 reimbursed meals served to students (5.52 percent). Fresh fruit bars and additional salad bars program were implemented thus increasing fresh produce costs by 8 percent. Furthermore, beef and pork costs continue to increase. Salary costs increased \$0.5 million (2.3 percent) due to COLA, step increases, and increased use of substitute expense related to the increased school participation in the summer meal program and the MMFA breakfast program. Other charges increased \$0.4 million (3.4 percent) due to an increase of the required OPEB contribution by \$0.3 million (50.8 percent), and an increase of employee benefit costs by \$0.1 million.

Revenues by Source - Business-type Activities



Financial Analysis of the Board's Funds

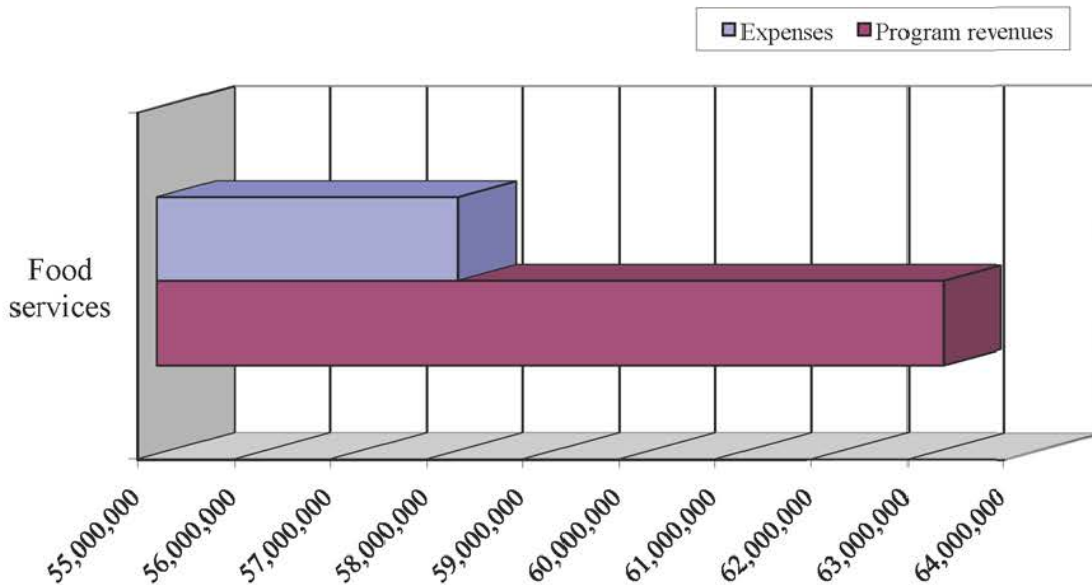
The Board uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions.

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

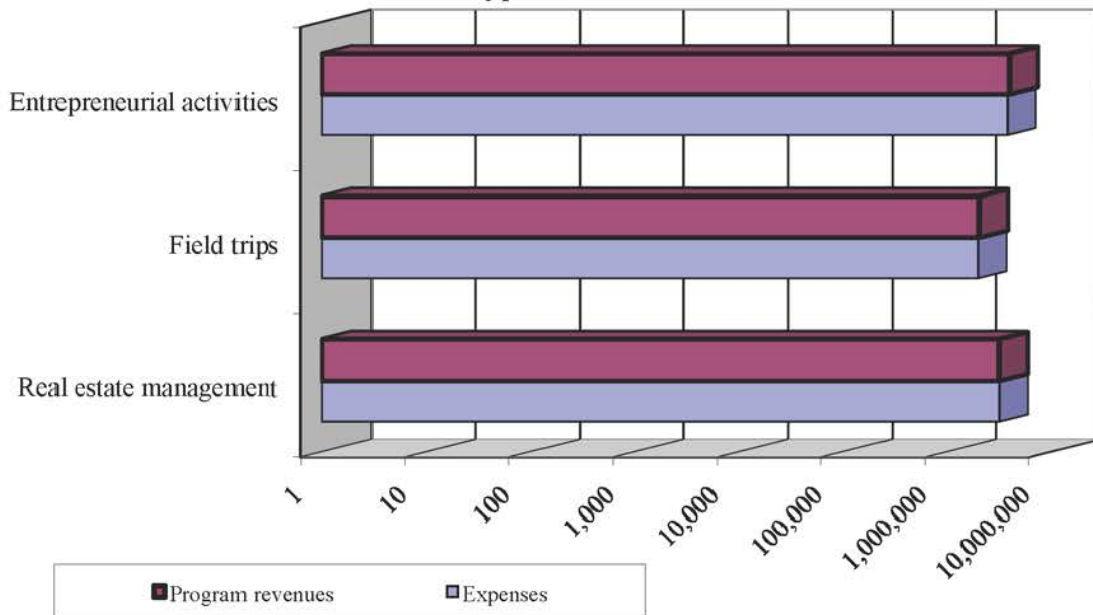
As of the end of the current fiscal year, the Board's governmental funds reported combined ending fund balance of \$28.6 million, a decrease of \$5 million from the prior year. Fund balance restricted for the instructional TV program is \$0.3 million, the same as the prior year.

The general fund is the principal operating fund of the Board. At June 30, 2017, fund balance was \$28.3 million. Nonspendable fund balance was \$7.8 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs increased by \$4.7 million to \$8.3 million. Unassigned fund balance decreased by \$9.7 million to \$12.2 million at June 30, 2017. The capital projects' fund balance is zero. This is because project budgets are fixed depending upon capital project funding adopted by the county, state and federal governments. A more detailed discussion of capital projects spending found in the Capital Assets section of MD&A.

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



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



Proprietary funds. The Board’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of those funds have already been addressed within the discussion of business-type activities.

General Fund Budgetary Highlights

The final amended budget for FY 17 was \$2,405.3 million. The increase of \$370,000 from original budget was a result of a Transition to Maryland State Online Individualized Education program, offset by the decrease of \$1,000 from Maryland Disabled Student Transportation Grant. The net increase was \$369,000 from original budget.

Actual budgetary fund balance was reduced by \$13.6 million to \$26.5 million. The decrease in fund balance resulted primarily from using \$33.2 million from the Board fund balance.

Actual revenues were \$14.5 million under budget for the year primarily as a result of \$15.4 million under budget on restricted grants, offset by a surplus of \$0.9 million on unrestricted revenue due to the FEMA funding for 2016 winter storm expenses. Restricted revenues were \$15.4 million under budget, comprised of \$3.5 million estimated restricted grant activity that did not materialize, and \$11.9 million in unrealized revenue for grants that carried forward into FY 2018.

Actual expenditures were \$37.7 million under budget. Restricted expenditures were \$15.4 million less than the budget, consisted of \$11.9 million in unspent funds for grants that carry forward into FY 18, and \$3.5 million in estimated restricted grant activity that did not materialize.

Unrestricted expenditures were \$22.3 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, 2017, the Board's investment in capital assets for its governmental and business-type activities amounted to \$2,792.2 million, net of accumulated depreciation. This amount represented a net increase of \$114.4 million or 4.3 percent from last year. The net value of buildings, less accumulated depreciation, increased \$61.9 million and construction in progress increased \$30.8 million.

Board of Education of Montgomery County Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2017	2016
	2017	2016	2017	2016	2017	2016
Land	\$ 87.7	\$ 87.7	\$ -	\$ -	\$ 87.7	\$ 87.7
Buildings	2,240.9	2,179.0			2,240.9	2,179.0
Improvements other than buildings	292.5	276.6			292.5	276.6
Vehicles and equipment	76.8	72.1	5.5	4.4	82.3	76.5
Construction	88.8	58.0			88.8	58.0
Total	\$ 2,786.7	\$ 2,673.4	\$ 5.5	\$ 4.4	\$ 2,792.2	\$ 2,677.8

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2017, the Board added 30 classrooms including 18 classrooms at Julius West Middle School, 8 classrooms at Wood Acres Elementary School, and 4 classrooms at Farquhar Middle School. With the new school opening of Hallie Wells Middle School, the capacity increased by 48 more classrooms. In FY 2018, the Board will add 35 classrooms associated with the construction of building addition projects of Brown Station Elementary School (11), Wheaton Woods Elementary School (17), and Diamond Elementary School (7). Furthermore, the Board will add 46 classrooms with the opening of Silver Creek Middle School.

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

Long-term debt. At June 30, 2017, the Board had \$59.6 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 \$31.2 million during FY 2017. Principal payments on existing capital leases were \$30.4 million during the current year.

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

Factors Bearing on the Board's Future

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

Postemployment Healthcare Benefits. The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* (OPEB) in June 2004. The Statement was effective in FY 2008 for the Board. The Statement established standards for the measurement, recognition and reporting of OPEB expenditures and related liabilities. The Statement requires the Board to recognize an expenditure for OPEB during the period of active service for its employees, and, to the extent not currently funded, to recognize a liability for unfunded OPEB costs. The Board created the OPEB Plan Trust to account for its OPEB activity. Additional information about the Board's OPEB funding can be found in note 12 to the financial statements.

The Board worked jointly with the county and other county agencies to develop a common approach for funding OPEB that would be acceptable to the Montgomery County Council, the funding authority for the Board. The Board initially agreed with the County Council to phase in full funding of the annual OPEB cost over a five-year period. The FY 2008 OPEB contribution was based on a five-year phase-in. Subsequently, the Board agreed with a County Council request to extend the phase-in period to eight years beginning with the FY 2009 contribution to the unfunded actuarial accrued liability (UAAL). The Montgomery County Council elected to not fund either the FY 2010 or the FY 2011 UAAL contributions to the Board due to declining county tax revenues. Effective July 1, 2011, the Montgomery County Council established the consolidated OPEB Plan Trust that expanded the County OPEB Plan to include funds for the benefit of the Board retirees. Beginning in FY 2012, and each year thereafter, the Board annual UAAL contribution has been made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the Board OPEB Plan Trust. The current Board

OPEB Plan Trust was drawn down through either the transfer of funds to the Board Retiree's Trust fund or the processing of claims and expense against this account as of July 1, 2015. Montgomery County contributed \$61.7 million and \$63.1 million respectively in FY 16 and FY 17 on behalf of the Board. In FY 17, 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 18, the County Budget authorized \$55.8 million in total MCPS retiree pay-as-you-go funding through \$28.6 million in tax supported funding and \$27.2 million from the Board's portion of the Consolidated OPEB Trust. The Board's OPEB pre-funding is appropriated directly to the County's Consolidated OPEB Trust and is not part of the Board's budget request. The County fully funds the Board's OPEB pre-funding requirement of \$74.2 million. However, the use of \$27.2 million in assets from the Board's portion of the Consolidated OPEB Trust to pay current year claims creates a net impact of increasing the Board's OPEB Trust balance (excluding any investment earnings) by \$47.0 million in FY 18 instead of \$74.2 million.

The Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective in FY 17, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*, which is effective in FY 2017 and FY 2018, respectively, for the Board. These Statements are intended to improve accounting and financial reporting by state and local governments that provide postemployment benefits. Additional information about the Board's implementation on GASB 74 can be found in note 12 to the financial statements.

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

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

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

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

Bridge to Excellence. The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The *Bridge to Excellence in Public Schools Act* (BTE) Senate Bill (SB) 856 provides additional statewide funding to assure the adequacy of educational resources while redirecting resources more

equitably to meet the needs of students with disabilities, limited English proficient students, and students impacted by poverty. In FY 2017, the Board received an increase of \$24.9 million in state aid compared to FY 2016. All BTE categories received increases with the largest occurring in the Geographic Cost of Education Index (GCEI) when it was fully funded. In the previous year, the Board received only 50 percent of the GCEI funding. The Maryland General Assembly passed legislation (Senate Bill 183) in 2015 changing GCEI funding from discretionary to mandatory funding beginning in FY 2017 if the Governor did not fully fund GCEI funding in FY 2016. The GCEI increase in FY 2017 totaled \$18.2 million. The Foundation Grant saw an increase of \$3.4 million while Limited English Proficient saw an increase of \$1.4 million, and student with disabilities (formula) received an increase of \$1.1 million. Late in the fiscal year, the Board was informed by MSDE that its transportation aid was being reduced by \$1,000 based on a review by the state. The revised amount for FY 2017 was \$40,932,087.

Comprehensive Master Plan. In accordance with the mandates of BTE, Local Education Agencies (LEAs) in Maryland are required every year to submit a Comprehensive Master Plan (Master Plan) that links school finance to decisions concerning school improvement. BTE is a standards-based approach to public school financing. BTE requires MSDE to set academic content and student achievement standards, ensure that schools and students have sufficient resources to meet those standards, and hold schools and school systems accountable for the performance of all students and all racial/ethnic and special services groups. By design, the legislation requires school systems to integrate state, federal, and local funding and initiatives into the Master Plan.

The BTE legislation provides a framework for the Board and other LEAs to increase student achievement and close the achievement gap. The legislation increased state aid for public education and required each LEA to develop a Comprehensive Master Plan that is updated each year. The Master Plan describes the goals, objectives, and strategies that will be used to improve student achievement. In addition, the Master Plan includes detailed summaries of the alignment between our FY 2017 budget, the FY 2016 actual budget, and the Master Plan goals and objectives.

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

HB 999 also required MSDE to report by October 1, 2017, to the State Board of Education, the General Assembly, and the commission created by the bill on what information should be included in future Comprehensive Master Plans and whether they should be completed in digital form that can be periodically updated.

The other bill, HB 412, outlined assessment reporting details specified in the new Education Article Section 7-203.3 for each assessment administered in the school district, and the

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

In addition to these changes in the Master Plan Annual Update, the structure of the Master Plan has been revised. Part II of previous Comprehensive Master Plan submissions reflected budget narrative and details of Federal grant-titled programs including Title I, Parts A and D, Title II, Title III, Part A, as well as the State Fine Arts Grant Program, and other reporting requirements. This budget section has been separated from the rest of the Master Plan Annual Update and will now be submitted separately as the Federal and State Grant Applications and other Reporting Requirements. This has its own submission schedule distinct from when the Master Plan Annual Update is due to MSDE. Final submission of Title I, Part D, to MSDE occurred on September 16, 2016, and Title I, Part A, on September 30, 2016. Other components of the Federal and State Grant Applications and Other Reporting Requirements were due on either October 17, 2016, or November 17, 2016.

Maintenance of Local Effort (MOE). In 2012, the Maryland General Assembly adopted SB 848 that clarified and strengthened requirements for counties to maintain the local financial commitment to public schools. SB 848 provides significant protection of local funding for public schools, especially during periods of economic challenges. The law requires all counties and the City of Baltimore to provide at least as much local tax revenue per student as the previous fiscal year. Instead of penalizing a school district with the loss of increased state aid, SB 848 provides for the diversion of sufficient local income tax collections to assure that a school district receives at least the required amount of local contribution. If a county cannot meet its commitment because of a severe financial downturn, the law provides broader criteria for a waiver application to the Maryland State Board of Education, but also limits the amount of the possible waiver. Montgomery County has met Maintenance of Effort requirements each year.

After 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. Along with this increase, the County Council's appropriation provided \$37.9 million of additional funding that allows the Board to reduce class sizes in many classrooms across the district and accelerate efforts to close the achievement gap. This funding above MOE increased the cost per pupil from \$9,749 to \$10,637 for the school district.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Board of Education of Montgomery County, 850 Hungerford Drive, Room 170, Rockville, Maryland 20850.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 35,737,949	\$ 1,060,465	\$ 36,798,414	\$
Cash and cash equivalents		10,422,081	10,422,081	180,332
Investments - cash equivalents	64,308,180		64,308,180	5,593,218
Accounts receivable:				
Montgomery County	83,924,551	14,652	83,939,203	
State of Maryland	15,736,176	50,252	15,786,428	
Federal government	6,120,768	2,358,883	8,479,651	
Other	29,550,913	721,975	30,272,888	
Due from component unit	85,304		85,304	
Internal balances	1,751,328	(1,751,328)		
Inventories	7,508,738	2,457,411	9,966,149	
Prepays	342,180		342,180	
Due from employees	127,000		127,000	
Capital assets (net of accumulated depreciation):				
Land	87,693,060		87,693,060	
Buildings and additions	2,240,872,016		2,240,872,016	
Improvements other than buildings	292,470,996		292,470,996	
Construction in progress	88,847,692		88,847,692	
Vehicles and equipment	76,807,882	5,476,647	82,284,529	
Total assets	3,031,884,733	20,811,038	3,052,695,771	5,773,550
Deferred Outflows Of Resources				
Pension deferrals	267,608,824		267,608,824	
Total deferred outflows of resources	267,608,824	-	267,608,824	-
Liabilities				
Accounts payable and other current liabilities	173,696,127	875,946	174,572,073	
Due to primary government				85,304
Due to external parties	21,241,815		21,241,815	
Unearned revenue	5,074,671	3,425,135	8,499,806	
Noncurrent liabilities:				
Due within one year	33,717,391	463,041	34,180,432	
Due in more than one year	1,236,119,989	11,671,656	1,247,791,645	
Total liabilities	1,469,849,993	16,435,778	1,486,285,771	85,304
Deferred Inflows Of Resources				
Pension deferrals	104,378,920		104,378,920	
Total deferred inflows of resources	104,378,920	-	104,378,920	-
Net Position				
Net investment in capital assets	2,749,974,181	5,476,647	2,755,450,828	
Restricted for:				
Instructional Programs, Expendable	280,688		280,688	751,705
Scholarships, Non-Expendable				821,862
Unrestricted	(1,024,990,225)	(1,101,387)	(1,026,091,612)	4,114,679
Total net position	\$ 1,725,264,644	\$ 4,375,260	\$ 1,729,639,904	\$ 5,688,246

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,633,033,361	\$ 3,605,742	\$ 36,443,763	\$ 50,377,093
Special education	468,463,510	245,281	34,317,251	
School administration	217,940,076		2,117,159	
Student personnel services	17,126,556		712,307	
Health services	1,577			
Total instruction	<u>2,336,565,080</u>	<u>3,851,023</u>	<u>73,590,480</u>	<u>50,377,093</u>
Support services:				
Student transportation	140,687,102	295,804	232,725	
Operation of plant	170,791,707			
Maintenance of plant	71,483,269			17,211,673
Administration	64,961,620		89,313	5,003,752
Community services	3,200,420		2,488,160	
Interest on capital leases	1,028,146			
Total support services	<u>452,152,264</u>	<u>295,804</u>	<u>2,810,198</u>	<u>22,215,425</u>
Total governmental activities	<u>2,788,717,344</u>	<u>4,146,827</u>	<u>76,400,678</u>	<u>72,592,518</u>
Business-type activities:				
Food services	58,125,752	17,148,111	44,102,198	1,909,310
Real estate management	3,226,308	3,194,139		
Field trips	2,006,344	2,053,978		
Entrepreneurial activities	3,875,067	4,040,576		
Total business-type activities	<u>67,233,471</u>	<u>26,436,804</u>	<u>44,102,198</u>	<u>1,909,310</u>
Total primary government	<u>\$ 2,855,950,815</u>	<u>\$ 30,583,631</u>	<u>\$ 120,502,876</u>	<u>\$ 74,501,828</u>
Component Unit:				
Educational Foundation	<u>\$ 1,426,736</u>	<u>\$ -</u>	<u>\$ 1,780,189</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,542,606,763)	\$ -	\$ (1,542,606,763)	\$ -
(433,900,978)		(433,900,978)	
(215,822,917)		(215,822,917)	
(16,414,249)		(16,414,249)	
(1,577)		(1,577)	
<u>(2,208,746,484)</u>	<u>-</u>	<u>(2,208,746,484)</u>	<u>-</u>
(140,158,573)		(140,158,573)	
(170,791,707)		(170,791,707)	
(54,271,596)		(54,271,596)	
(59,868,555)		(59,868,555)	
(712,260)		(712,260)	
(1,028,146)		(1,028,146)	
<u>(426,830,837)</u>	<u>-</u>	<u>(426,830,837)</u>	<u>-</u>
<u>(2,635,577,321)</u>	<u>-</u>	<u>(2,635,577,321)</u>	<u>-</u>
	5,033,867	5,033,867	
	(32,169)	(32,169)	
	47,634	47,634	
	165,509	165,509	
<u>-</u>	<u>5,214,841</u>	<u>5,214,841</u>	<u>-</u>
<u>(2,635,577,321)</u>	<u>5,214,841</u>	<u>(2,630,362,480)</u>	<u>-</u>
			<u>353,453</u>
1,829,282,694		1,829,282,694	
871,366,816		871,366,816	
19,672,201		19,672,201	
344,265	8,768	353,033	
<u>2,720,665,976</u>	<u>8,768</u>	<u>2,720,674,744</u>	<u>-</u>
85,088,655	5,223,609	90,312,264	353,453
1,640,175,989	(848,349)	1,639,327,640	5,334,793
<u>\$ 1,725,264,644</u>	<u>\$ 4,375,260</u>	<u>\$ 1,729,639,904</u>	<u>\$ 5,688,246</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 35,737,949	\$ -	\$ -	\$ 35,737,949
Accounts receivable:				
Montgomery County	34,786,511	49,138,040		83,924,551
State of Maryland	8,755,081	6,981,095		15,736,176
Federal government	5,945,037	175,731		6,120,768
Other	25,910,394	1,765,261		27,675,655
Due from other funds	24,091,964	858,488	297,868	25,248,320
Due from fiduciary funds	568,796			568,796
Due from component unit	85,304			85,304
Inventories	7,508,738			7,508,738
Prepays	342,180			342,180
Due from employees	127,000			127,000
Total assets	<u>\$ 143,858,954</u>	<u>\$ 58,918,615</u>	<u>\$ 297,868</u>	<u>\$ 203,075,437</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 35,505,988	\$ 29,646,622	\$ 9,514	\$ 65,162,124
Retainage payable		8,026,165		8,026,165
Accrued salaries and withholdings	67,508,676			67,508,676
Due to other funds	297,868	21,245,828	7,666	21,551,362
Unearned revenue	5,074,671			5,074,671
Compensated absences	7,140,591			7,140,591
Total liabilities	<u>115,527,794</u>	<u>58,918,615</u>	<u>17,180</u>	<u>174,463,589</u>
Fund Balances:				
Nonspendable:				
Inventories	7,508,738			7,508,738
Prepays	342,180			342,180
Restricted for:				
Instructional TV program			280,688	280,688
Assigned for:				
Instructional programs	8,262,452			8,262,452
Unassigned	12,217,790			12,217,790
Total fund balances	<u>28,331,160</u>	<u>-</u>	<u>280,688</u>	<u>28,611,848</u>
Total liabilities and fund balances	<u>\$ 143,858,954</u>	<u>\$ 58,918,615</u>	<u>\$ 297,868</u>	<u>\$ 203,075,437</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2017

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

Total fund balances - governmental funds		\$ 28,611,848
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	\$ 4,151,381,582	
Accumulated depreciation is	<u>(1,364,689,936)</u>	2,786,691,646
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		
		66,497,169
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.		
		9,428,035
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Capital leases payable		(58,997,977)
Compensated absences	\$ (140,872,869)	
Compensated absences-Governmental Funds	<u>7,140,591</u>	(133,732,278)
Net pension liability		(473,927,311)
OPEB obligation		<u>(596,039,223)</u>
		(1,262,696,789)
Pension related deferred outflows/(inflows) of resources		
		<u>96,732,735</u>
Total net position - governmental activities		
		<u>\$ 1,725,264,644</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, 2017

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,680,767,678	\$ 219,215,810	\$ -	\$ 1,899,983,488
State of Maryland	823,984,684	49,868,385		873,853,069
Federal government	91,885,510	1,305,772		93,191,282
Other sources	<u>4,553,534</u>	<u>481,833</u>	<u>1,742,791</u>	<u>6,778,158</u>
Total revenues	<u>2,601,191,406</u>	<u>270,871,800</u>	<u>1,742,791</u>	<u>2,873,805,997</u>
Expenditures:				
Current:				
Administration	43,005,135			43,005,135
Mid-level administration	145,298,770			145,298,770
Instructional salaries and wages	957,765,591			957,765,591
Instructional textbooks and supplies	26,389,897			26,389,897
Other instructional costs	11,324,064			11,324,064
Special education	321,502,025			321,502,025
Student personnel services	11,396,245			11,396,245
Health services	1,577			1,577
Student transportation	105,176,130			105,176,130
Operation of plant	130,631,994			130,631,994
Maintenance of plant	34,661,021			34,661,021
Fixed charges	819,971,483			819,971,483
Community services	631,446		1,727,389	2,358,835
Debt service:				
Capital lease principal	15,165,509	14,933,167		30,098,676
Capital lease interest	702,988	325,157		1,028,145
Capital outlay		<u>269,116,996</u>		<u>269,116,996</u>
Total expenditures	<u>2,623,623,875</u>	<u>284,375,320</u>	<u>1,727,389</u>	<u>2,909,726,584</u>
Excess (deficiency) of revenues over expenditures	<u>(22,432,469)</u>	<u>(13,503,520)</u>	<u>15,402</u>	<u>(35,920,587)</u>
Other financing sources:				
Capital lease financing	<u>17,440,569</u>	<u>13,503,520</u>		<u>30,944,089</u>
Total other financing sources	<u>17,440,569</u>	<u>13,503,520</u>	<u>-</u>	<u>30,944,089</u>
Net change in fund balances	(4,991,900)	-	15,402	(4,976,498)
Fund balances - beginning	<u>33,323,060</u>	<u>-</u>	<u>265,286</u>	<u>33,588,346</u>
Fund balances - ending	<u>\$ 28,331,160</u>	<u>\$ -</u>	<u>\$ 280,688</u>	<u>\$ 28,611,848</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds \$ (4,976,498)

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 (\$269,116,996 less non-capitalized items of \$72,592,518) plus capital outlays for general fund assets (\$17,392,886) exceed depreciation expense (\$100,582,895) in the current period. 113,334,469

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets and the donation of land from developers is to decrease net position. (75,510)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities 66,497,169

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 (\$30,944,089) exceeded principal payments (\$30,098,676) (845,413)

In the statement of activities, certain operating expenses are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended, as follows:

Annual OPEB cost	\$ (30,285,831)	
Compensated absences	(2,277,024)	
Pension expense	<u>(76,254,557)</u>	
		(108,817,412)

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. 19,971,850

Change in net position of governmental activities \$ 85,088,655

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, 2017

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,617,631,597	\$ 1,617,631,597	\$ 1,617,631,597	\$ 1,617,712,678	\$ 81,081
State of Maryland		657,621,769	657,621,769	657,806,904	658,559,890	752,986
Federal government		82,054,943	82,054,943	82,238,808	73,159,875	(9,078,933)
Other sources		10,835,666	10,835,666	10,835,666	4,553,534	(6,282,132)
Total revenues	-	2,368,143,975	2,368,143,975	2,368,512,975	2,353,985,977	(14,526,998)
Expenditures and encumbrances:						
Current:						
Administration	857,725	43,647,246	44,504,971	44,492,373	44,235,052	257,321
Mid-level administration	66,838	146,080,259	146,147,097	146,089,142	145,332,587	756,555
Instructional salaries and wages		979,980,907	979,980,907	978,114,113	958,120,270	19,993,843
Instructional textbooks and supplies	550,484	26,526,936	27,077,420	27,523,144	27,093,900	429,244
Other instructional costs	728,346	12,415,466	13,143,812	13,619,603	12,494,367	1,125,236
Special education	68,265	327,448,009	327,516,274	328,585,205	321,689,948	6,895,257
Student personnel services	2,860	11,935,191	11,938,051	11,935,910	11,397,555	538,355
Health services		3,630	3,630	3,630	1,577	2,053
Student transportation	9,095	104,546,929	104,556,024	104,592,215	104,260,505	331,710
Operation of plant	734,017	133,481,681	134,215,698	134,215,698	133,621,023	594,675
Maintenance of plant	598,044	34,187,223	34,785,267	35,985,267	35,895,098	90,169
Fixed charges		580,142,300	580,142,300	579,214,049	572,821,679	6,392,370
Community services		910,831	910,831	920,933	631,446	289,487
Total expenditures and encumbrances	3,615,674	2,401,306,608	2,404,922,282	2,405,291,282	2,367,595,007	37,696,275
Excess (deficiency) of revenues over expenditures and encumbrances	(3,615,674)	(33,162,633)	(36,778,307)	(36,778,307)	(13,609,030)	23,169,277
Excess (deficiency) of revenues over expenditures and encumbrances	(3,615,674)	(33,162,633)	(36,778,307)	(36,778,307)	(13,609,030)	23,169,277
Fund balance - beginning	3,615,674	33,162,633	36,778,307	36,778,307	40,068,326	3,290,019
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 26,459,296	\$ 26,459,296

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, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 1,060,465	\$ 1,060,465	\$ -
Cash and cash equivalents	10,422,081		10,422,081	
Investments - cash equivalents				64,308,180
Accounts receivable:				
Montgomery County	14,652		14,652	
State of Maryland	50,252		50,252	
Federal government	2,358,883		2,358,883	
Other		721,975	721,975	1,875,259
Due from other funds		611,989	611,989	
Inventories	2,454,141	3,270	2,457,411	
Total current assets	<u>15,300,009</u>	<u>2,397,699</u>	<u>17,697,708</u>	<u>66,183,439</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	5,357,861	118,786	5,476,647	
Total noncurrent assets	<u>5,357,861</u>	<u>118,786</u>	<u>5,476,647</u>	<u>-</u>
Total assets	<u>20,657,870</u>	<u>2,516,485</u>	<u>23,174,355</u>	<u>66,183,439</u>
Liabilities				
Current liabilities:				
Accounts payable	314,517	561,429	875,946	1,058,340
Claims payable				23,438,955
Due to employees, advance premium withholdings				8,501,867
Due to other funds	2,350,262	13,055	2,363,317	1,945,630
Due to external parties				21,810,612
Unearned revenue	3,003,151	421,984	3,425,135	
Capital leases - current	238,624	26,540	265,164	
Compensated absences - current	197,877		197,877	
Total current liabilities	<u>6,104,431</u>	<u>1,023,008</u>	<u>7,127,439</u>	<u>56,755,404</u>
Noncurrent liabilities:				
Net OPEB obligation	8,769,730		8,769,730	
Capital leases payable	359,140	27,024	386,164	
Compensated absences	2,184,461	331,301	2,515,762	
Total noncurrent liabilities	<u>11,313,331</u>	<u>358,325</u>	<u>11,671,656</u>	<u>-</u>
Total liabilities	<u>17,417,762</u>	<u>1,381,333</u>	<u>18,799,095</u>	<u>56,755,404</u>
Net Position				
Net investment in capital assets	5,357,861	118,786	5,476,647	
Unrestricted (deficit)	<u>(2,117,753)</u>	<u>1,016,366</u>	<u>(1,101,387)</u>	<u>9,428,035</u>
Total net position	<u>\$ 3,240,108</u>	<u>\$ 1,135,152</u>	<u>\$ 4,375,260</u>	<u>\$ 9,428,035</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, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 17,148,111	\$ -	\$ 17,148,111	\$ -
Rent and fees		9,288,693	9,288,693	
Employer's contributions				300,198,354
Members' contributions				48,458,318
Total operating revenues	<u>17,148,111</u>	<u>9,288,693</u>	<u>26,436,804</u>	<u>348,656,672</u>
Operating expenses:				
Salaries and wages	21,234,426	2,836,562	24,070,988	
Contracted services	1,440,640	2,330,550	3,771,190	
Supplies and materials	1,690,173	747,695	2,437,868	
Food purchases	16,453,818		16,453,818	
USDA commodities	3,334,916		3,334,916	
Other charges	13,041,878	3,161,388	16,203,266	3,236,747
Depreciation	929,901	31,524	961,425	
Benefits paid to plan members				269,600,069
Premiums paid to insurance companies				55,996,453
Total operating expenses	<u>58,125,752</u>	<u>9,107,719</u>	<u>67,233,471</u>	<u>328,833,269</u>
Operating income (loss)	<u>(40,977,641)</u>	<u>180,974</u>	<u>(40,796,667)</u>	<u>19,823,403</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	38,564,790		38,564,790	
State funds	2,202,492		2,202,492	
USDA commodities	3,334,916		3,334,916	
Investment income	8,768		8,768	148,447
Total nonoperating revenues	<u>44,110,966</u>	<u>-</u>	<u>44,110,966</u>	<u>148,447</u>
Income (loss) before capital contributions and transfers	3,133,325	180,974	3,314,299	19,971,850
Capital contributions - equipment	<u>1,909,310</u>		<u>1,909,310</u>	
Change in net position	5,042,635	180,974	5,223,609	19,971,850
Total net position - beginning	<u>(1,802,527)</u>	<u>954,178</u>	<u>(848,349)</u>	<u>(10,543,815)</u>
Total net position - ending	<u>\$ 3,240,108</u>	<u>\$ 1,135,152</u>	<u>\$ 4,375,260</u>	<u>\$ 9,428,035</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, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 17,456,199	\$ 8,776,386	\$ 26,232,585	\$ 49,834,246
Receipts from assessments made to other funds				304,880,676
Payments to suppliers	(21,596,870)	(2,799,443)	(24,396,313)	(55,948,665)
Payments to employees	(22,348,506)	(3,133,525)	(25,482,031)	
Payments for insurance claims				(266,687,736)
Payments for assessments made by other funds	(9,736,491)	(385,011)	(10,121,502)	
Payments for other operating expenses	(1,341,857)	(2,540,443)	(3,882,300)	(3,236,747)
Net cash used by operating activities	<u>(37,567,525)</u>	<u>(82,036)</u>	<u>(37,649,561)</u>	<u>28,841,774</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	41,033,247		41,033,247	
Transfers (to) from other funds				13,092,451
Net cash used by noncapital financing activities	<u>41,033,247</u>	<u>-</u>	<u>41,033,247</u>	<u>13,092,451</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	261,790	-	261,790	
Purchases of capital assets	(27,288)	(61,500)	(88,788)	
Principal paid on capital leases	(239,745)	(26,064)	(265,809)	
Net cash used by capital and related financing activities	<u>(5,243)</u>	<u>(87,564)</u>	<u>(92,807)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	8,768		8,768	129,557
Net cash provided by investing activities	<u>8,768</u>	<u>-</u>	<u>8,768</u>	<u>129,557</u>
Net increase (decrease) in cash and cash equivalents	3,469,247	(169,600)	3,299,647	42,063,782
Cash and cash equivalents - beginning	6,952,834	1,230,065	8,182,899	22,244,398
Cash and cash equivalents - ending	<u>\$ 10,422,081</u>	<u>\$ 1,060,465</u>	<u>\$ 11,482,546</u>	<u>\$ 64,308,180</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating loss	\$ (40,977,641)	\$ 180,974	\$ (40,796,667)	\$ 19,823,403
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	929,901	31,524	961,425	
USDA commodities used	3,334,916		3,334,916	
Effects of changes in operating assets and liabilities:				
Receivables		(661,981)	(661,981)	
Due from other funds				2,736,692
Non USDA inventories	(229,006)	-	(229,006)	
Accounts payable	(442,383)	317,524	(124,859)	47,788
Claims payable				2,912,334
Advance premium withholdings				1,375,927
Due to other funds	(1,340,850)	(25,707)	(1,366,557)	1,945,630
Unearned revenue	308,088	149,673	457,761	
Net OPEB obligation	794,908		794,908	
Compensated absences	54,542	(74,043)	(19,501)	
Net cash used by operating activities	<u>\$ (37,567,525)</u>	<u>\$ (82,036)</u>	<u>\$ (37,649,561)</u>	<u>\$ 28,841,774</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 1,909,310	\$ -	\$ 1,909,310	\$ -
USDA commodities received	(3,334,916)		(3,334,916)	

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, 2017

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 15,855,589
Investments:		
Global equities	834,269,000	
Fixed income securities	367,181,079	
Real estate	143,220,810	
Alternative investments	204,037,049	
Short-term investments	38,263,195	
Total investments	1,586,971,133	-
Accounts receivable	551,305	2,295,475
Due from Internal Service Fund	21,810,612	
Due from County Consolidated Retiree Health Benefits Trust	371,540,276	
Inventories		151,382
Total assets	1,980,873,326	\$ 18,302,446
LIABILITIES		
Accounts payable	336,846	1,730,235
Claims payable	8,156,965	
Due to general fund	568,796	
Due to student groups		16,572,211
Total liabilities	9,062,607	\$ 18,302,446
NET POSITION		
Held in trust for pension/other postemployment benefits	\$ 1,971,810,719	

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, 2017

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 162,211,497
Members	61,065,185
Federal government - Medicare Part D	<u>18,725,635</u>
Total contributions	<u>242,002,317</u>
Investment earnings:	
Net increase in fair value of investments	167,118,372
Interest and dividends	<u>46,162,037</u>
Total investment earnings	<u>213,280,409</u>
Less investment expense:	
Investment fees and other	<u>(4,104,995)</u>
Total investment expense	<u>(4,104,995)</u>
Net investment earnings	<u>209,175,414</u>
Total additions	<u>451,177,731</u>
DEDUCTIONS	
Benefits paid to plan members	181,227,135
Premiums paid to insurance companies	16,630,866
Administrative expenses	<u>1,444,468</u>
Total deductions	<u>199,302,469</u>
Change in net position	251,875,262
Net position - beginning	<u>1,719,935,457</u>
Net position - ending	<u><u>\$ 1,971,810,719</u></u>

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

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BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1	Summary of Significant Accounting Policies
Note 2	Budgetary Information
Note 3	Deposits and Investments
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BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education of Montgomery County (the Board) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Board are described below.

a) Reporting Entity

The Board of Education of Montgomery County is the elected body, corporate and politic, established under Maryland law to provide public education in kindergarten through twelfth grade to children residing within the borders of Montgomery County, Maryland. The Board determines educational policy and employs a superintendent of schools to administer the public school system known as the Board of Education of Montgomery County (the Board). Primary funding is provided by Montgomery County from its general revenues. Funds also are received from state and federal sources for general school aid and specific purpose grants. The budget is approved by the Montgomery County Council. The Board of Education has no power to levy and collect taxes or to increase the budget. Because of the relationship with Montgomery County, the Board is considered a component unit of the county government, as defined by GAAP for governmental entities.

The accompanying financial statements present the primary government, the Board, and its discretely presented component unit, the Montgomery County Public Schools Educational Foundation, Inc. (Foundation). The Foundation is included in the reporting entity because of the financial benefits provided through it to the Board and because the Board is considered to be financially accountable. The Foundation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Board.

The Foundation accepts grants and contributions from private organizations and individuals. All such funds received are used to enhance the Board educational programs and to provide student scholarships. Complete financial statements can be obtained from the Chief Financial Officer, Board of Education of Montgomery County, 850 Hungerford Drive, Room 170, Rockville, Maryland 20850.

b) Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Board and its component unit except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost data for functional activities reported in the total column of that statement. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor enterprise funds are aggregated and reported as nonmajor funds.

The Board reports the following major governmental funds:

The general fund is the primary operating fund of the Board. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects fund accounts for financial resources to be used in the acquisition or construction of school sites and buildings and other major capital facilities.

The Board reports the following major proprietary fund:

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

Additionally, the Board reports the following fund types:

The special revenue fund accounts for the use of Cable TV franchise fees that are legally restricted to expenditure for specific purposes.

The internal service fund accounts for the financing of active employee health benefits provided to other funds of the government on a cost reimbursement basis.

The pension and other employee benefits trust funds account for the activities of the Employees' Retirement and Pension System that accumulates resources for pension benefit payments to qualified employees, and the OPEB Plan Trust that accumulates resources for postemployment health benefits.

The agency fund accounts for assets held by elementary and secondary schools for student groups. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Services enterprise fund, of the nonmajor enterprise funds, and of the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c) Measurement Focus, Basis of Accounting

The government-wide, proprietary, and certain fiduciary (pension and other employee benefit trust) fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenue from USDA commodities is considered earned when the commodities are used. The value of unused USDA commodities is reported as unearned revenue. Employee, employer, and other contributing entities' contributions to the pension and other employee benefit trust funds are recognized as revenue in the period that the contributions are due. Pension and other postemployment benefits expenses and refunds are recognized when due and payable. Agency

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. All governmental fund revenues are considered available if the revenues are collected within ninety days after year-end. The Board's primary sources of funding are intergovernmental revenues which are either unrestricted as to purpose of expenditure or are restricted to a specific purpose. Unrestricted funds are recorded as revenues at the time of receipt or earlier if they meet the availability criterion. Restricted funds are recognized as revenue when all eligibility requirements imposed by the provider have been met and the resources are available. Restricted funds received in excess of recorded expenditures are recorded as unearned revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for principal and interest on capital leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from capital leases are reported as other financing sources.

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

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

d) Use of Estimates in Preparing Financial Statements

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

e) Cash and Investments

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

Pension Trust Fund investments consist of separate and comingled funds carried at fair value. Equity and bond securities are valued at closing sales prices as reported on national or international securities exchanges at current exchange rates, or at closing bid prices as reported by investment dealers. The fair value of mortgages and real estate investments are based on independent appraisals. The fair value of private equity and hedge fund investments is based on information provided by fund managers.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

OPEB Plan Trust investments, consisting of equity and bond index funds, are stated at fair value.

Internal Service Fund investments are stated at fair value. For purposes of the statement of cash flows, the Internal Service Fund and the Food Services Fund consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The cash in the Agency Fund represents the independent activity fund cash balances in the separate bank accounts of individual schools and other groups. The bank accounts are maintained by each of the locations. The administrator at each location is required, under Board policy, to deposit any funds in excess of current needs with a federally or state insured financial institution or in the Board Centralized Investment Fund. All such funds earn market rate interest and are available to schools on a demand basis.

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

f) Inventories and Prepaid Items

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

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

g) Capital Assets

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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

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

h) Deferred Outflows/Inflows of Resources

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

i) Compensated Absences

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

j) Long-Term Obligations

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

k) Fund Balances

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

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

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

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

I) Governmental Accounting Standards Board (GASB) Pronouncements

The Board has adopted Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefit plans other than pension plans included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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

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

The Board has adopted Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This Statement amends the blending requirements established in paragraph 53, of Statement No. 14, *The Financial Reporting Entity, as amended*, for the financial statement presentation for certain component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The pronouncement had no impact on the financial statements.

The Board has adopted Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 72*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The effect of the pronouncement is reflected on the Required Supplementary Information schedules that are related to the Net Pension Liability on pages 88 to 93.

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

m) Pending Pronouncements

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

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

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

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

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

Statement No. 83, *Certain Asset Retirement Obligations*

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

Statement No. 84, *Fiduciary Activities*

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

Statement No. 85, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. Topics addressed include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Board is currently evaluating the effect of implementation of this Statement.

Statement No. 87, *Leases*

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

2. Budgetary Information

a) Overview

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

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

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

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

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

b) Budgetary Presentation

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

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

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

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,353,985,977	\$ 2,367,595,007	\$ -	\$ (13,609,030)
Reconciling items:				
2017 Encumbrances outstanding		(8,262,452)		8,262,452
Increase in compensated absences		(354,678)		354,678
State of Maryland retirement contributions	165,424,794	165,424,794		
Montgomery County OPEB contributions	63,055,000	63,055,000		
Federal Medicare Part D contributions	18,725,635	18,725,635		
Capital lease financing	-	17,440,569	17,440,569	
As reported – GAAP basis	<u>\$ 2,601,191,406</u>	<u>\$ 2,623,623,875</u>	<u>\$ 17,440,569</u>	<u>\$ (4,991,900)</u>

Governmental funds encumbrances outstanding at June 30, 2017 include \$8,262,452 for the General Fund and \$196,479,632 for the Capital Projects Fund. Encumbrances are considered expenses for budgetary purposes, however are not considered liabilities or expenditures for GAAP purposes. Beginning June 15 of each fiscal year, the Board issues purchase orders and begins shipment of

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inventory to various 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, 2017, \$ 7,682,859 of such purchase orders had been issued.

3. Deposits and Investments

Cash and investments at June 30, 2017 are summarized as follows:

	Primary Government	Component Unit
Equity in pooled cash and investments	\$ 36,798,414	\$ -
Cash and cash equivalents	10,422,081	180,332
Cash-fiduciary funds	15,855,589	
Investments – cash equivalents	64,308,180	5,593,218
Investments-fiduciary funds	1,586,971,133	
Total	\$ 1,714,355,397	\$ 5,773,550
Deposits and Investments Summary:		
Deposits	\$ 63,070,786	\$ 180,332
Investments	1,651,279,313	5,593,218
Cash on hand	5,298	
Total	\$ 1,714,355,397	\$ 5,773,550

a) Deposits

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

At June 30, 2017, the reported balance of the Board's deposits was \$63,070,786 and the bank balance was \$65,931,740. 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, 2017, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 834,269,000
Fixed income securities	367,181,079
Real estate	143,220,810
Alternative investments	204,037,049
Short-term investments	38,263,195
Subtotal Pension Trust Investments	1,586,971,133
Other Investments:	
Cash equivalents	64,308,180
Total investments	\$ 1,651,279,313

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

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portfolio duration should track the benchmark to the Barclays Intermediate Aggregate Bond Index. During FY 2017, the investment portfolios were managed within the duration guidelines specified in each of the respective investment policies.

Modified duration estimates the sensitivity of a bond's price to interest rate changes. The greater the duration of a bond, the greater its price volatility may be in response to changes in interest rates.

As of June 30, 2017, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 7,715,580	6.15
Government mortgage-backed securities	4,996,433	3.85
Asset-backed securities	3,240,767	2.23
Commercial mortgage-backed securities	1,934,178	2.47
Collateralized mortgage obligations	1,140,225	3.78
Corporate bonds	8,088,446	7.94
Sovereign bonds	394,318	2.72
Blackrock US debt fund	172,611,303	4.49
SSgA US aggregated bond index	167,059,829	4.31
Short-term in nature	38,263,195	N/A
Total	\$ 405,444,274	

Credit risk. The Annotated Code of Maryland authorizes the Board to invest in obligations for which the United States has pledged its faith and credit for the payment of principal and interest, in obligations issued by a federal agency in accordance with an act of Congress, in repurchase agreements collateralized at not less than 102 percent of the principal amount by obligations of the United States and its agencies, in money market mutual funds operated in accordance with SEC Rule 2A-7, or in any investment portfolio created under the Maryland Local Government Investment Pool.

The Pension Trust Fund, the OPEB Plan Trust and the Internal Service Fund are authorized to invest in domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by a foreign government, marketable corporate bonds, collateralized obligations, commercial paper, bankers' acceptances, money market funds, and pooled real estate investments. Fixed income investments are to be made primarily in issues rated "A" or better by Moody's and "A" or better by Standard & Poor's rating agencies.

Pension Trust fixed-income investments at June 30, 2017, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	1.9 %	\$ 7,715,580
AAA	2.0	8,144,552
AA	0.3	1,175,263
A	0.8	3,109,114
BBB	1.8	7,135,708
BB	0.1	229,730
Not rated	93.1	377,934,327
Total	100.0 %	\$ 405,444,274

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

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Other Board investments are rated AAA by Standard and Poor's, except the Montgomery County investment pool which is not rated by the rating agencies.

Concentration of credit risk. The investment policy of the Pension Trust limits the equity holdings in any one company to not more than five percent of the value of assets within a portfolio. Not more than ten percent of the market value of a fixed-income portfolio shall be invested in securities of any one issuer, except U.S. Government and Agency obligations.

The investment policy of the OPEB Plan Trust requires that equity investments be adequately diversified. Not more than ten percent of the market value of an individual manager's account may be invested in fixed-income securities of any one issuer, except U.S. Government and Agency obligations.

During FY 2017, individual holdings in the investment portfolios did not exceed policy guidelines.

Foreign currency risk. The Pension Trust's exposure to foreign currency risk is derived from its positions in foreign currency denominated investments. The investment policy states that investment managers are to diversify the portfolio under their management to minimize the risk of large losses. The system's foreign currency risk at June 30, 2017, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
European Currency Unit	\$ 14,714	\$ 10,677,154	\$ 10,691,868
Japanese Yen	473		473
Pound Sterling	282		282
Swiss Franc	1,360		1,360
Total	\$ 16,829	\$ 10,677,154	\$ 10,693,983

Commitments. At June 30, 2017, unfunded commitments were \$40,604,759 in private equity fund and real estate fund.

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

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

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The Board has the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using			
	6/30/2017	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III
Investments by fair value level				
Short Term Investments				
Cash & Cash Equivalents	\$ 64,308,180	\$ 64,308,180	\$ -	\$ -
Total investments by fair value	\$ 64,308,180	\$ 64,308,180	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Global equities				
Commingled equity funds	834,269,000			
Fixed Income Securities				
Commingled Bond funds	367,181,079			
Real estate				
Private real estate funds	143,220,810			
Alternative Investments				
Private Equity	63,817,135			
Hedges Funds	140,219,914			
Short Term Investments				
Cash & Cash Equivalents	38,263,195			
Total investments measured at the NAV	1,586,971,133			
Total investments	\$ 1,651,273,313			

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

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

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities				
Commingled equity funds	\$ 834,269,000		Daily or bimonthly	T+2, T+3 settlement
Fixed Income Securities				
Commingled bond funds	367,181,079		Daily	T+2, T+3 settlement
Real Estate				
Private real estate funds	143,220,810	\$ 25,707,909	Illiquid or Quarterly	60 days for quarterly redemption
Alternative Investments				
Private equity	63,817,135	14,896,850	Illiquid	Secondary sale after approval by general partner
Hedges funds	140,219,914		Monthly, quarterly, or annual	30-90 days
Short Term Investments				
Cash & cash equivalents (Overlay)	38,263,195		Daily	T-1
Total Investments Measured at the NAV	\$ 1,586,971,133			

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

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

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

Private real estate - the fair value of the investment in this type has been determined using the NAV per share of the investments. This type includes investment in limited partnerships. Private real estate is expected to provide the pension portfolio with a degree of inflation protection and to exhibit a low correlation to other investment strategies. Private real estate can also provide a steady source of income, which provides cash to the pension. The investment return of this portfolio is expected to be somewhere between the returns of the Investment Grade Fixed Income and Global Equity portfolios. It is expected to meet or exceed the NCREIF Fund Index - ODCE (Open-End Diversified Core Equity). About \$28.4 million of the portfolio can never be redeemed unless the fund is closed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. The rest of the portfolio consists of commingled funds with the quarterly redemption term and 60 days advance notice required.

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

- Private equity fund managers invest money in companies whose shares are not publicly traded on a stock exchange, or in companies with publicly traded securities that the private equity firm intends to take private by acquiring all of the public securities. Private equity managers are active investors who typically play a dominant 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 300 basis point premium net of fees with a one quarter lag.

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

Overlay program in cash and cash equivalents funds is to achieve market exposure consistent with the Plan's Beta Portfolio (Global Equity and Investment Grade Fixed Income) for the amount of un-invested cash that exists on a daily basis. The cash overlay program, administered by an outside investment manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds (ETFs). The fair value of the investment in this type has been determined using the NAV per share of the investments. The notification to the manager is required at least T-1 business days prior to adding or moving assets.

c) Cash on Hand

At year-end, the primary government had \$5,298 on hand in petty cash accounts.

4. Interfund Receivables and Payables

Interfund transactions are receivables reported as "Due From Other Funds" and the related payables reported as "Due To Other Funds" and represent amounts owed between the Board's governmental and proprietary funds within the Board reporting entity. An example of interfund transactions is when the Board's General Fund processes payments for other Board funds. The composition of interfund receivables and payables as of June 30, 2017, is as follows:

Due to Fund	Due from Fund				Total
	General	Capital Projects	Nonmajor Government	Nonmajor Enterprise	
General	\$ -	\$ -	\$ 297,868	\$ -	\$ 297,868
Capital Projects	20,856,623			389,205	21,245,828
Food Services	1,276,656	850,852		222,754	2,350,262
Nonmajor Government		7,636		30	7,666
Nonmajor Enterprise	13,055				13,055
Internal Service	1,945,630				1,945,630
Total	\$ 24,091,964	\$ 858,488	\$ 297,868	\$ 611,989	\$ 25,860,309

5. Due From Employees

The \$127,000 reported as due from employees arose from past transition to a unified pay cycle calendar for twelve-month employees. Repayment is made from final paychecks when employees separate from active employment with the Board.

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6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 87,693,060	\$ -	\$ -	\$ 87,693,060
Construction in progress	58,010,200	180,228,922	149,391,430	88,847,692
Total nondepreciable capital assets	<u>145,703,260</u>	<u>180,228,922</u>	<u>149,391,430</u>	<u>176,540,752</u>
Depreciable capital assets:				
Buildings and improvements	3,268,267,733	143,280,526		3,411,548,259
Site improvements	349,766,335	22,406,458		372,172,793
Vehicles and equipment	180,634,846	17,392,886	6,907,954	191,119,778
Total depreciable capital assets	<u>3,798,668,914</u>	<u>183,079,870</u>	<u>6,907,954</u>	<u>3,974,840,830</u>
Less accumulated depreciation for:				
Buildings and improvements	1,089,252,000	81,424,243		1,170,676,243
Site improvements	73,108,745	6,593,052		79,701,797
Vehicles and equipment	108,578,740	12,565,600	6,832,444	114,311,896
Total accumulated depreciation	<u>1,270,939,485</u>	<u>100,582,895</u>	<u>6,832,444</u>	<u>1,364,689,936</u>
Total depreciable capital assets, net	<u>2,527,729,429</u>	<u>82,496,975</u>	<u>75,510</u>	<u>2,610,150,894</u>
Government activities capital assets, net	<u>\$ 2,673,432,689</u>	<u>\$ 262,725,897</u>	<u>\$ 149,466,940</u>	<u>\$ 2,786,691,646</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Depreciable capital assets:				
Vehicles and equipment	\$ 20,299,136	\$ 2,005,954	\$ 261,574	\$ 22,043,516
Total depreciable capital assets	<u>20,299,136</u>	<u>2,005,954</u>	<u>261,574</u>	<u>22,043,516</u>
Less accumulated depreciation for:				
Vehicles and equipment	15,859,162	961,425	253,718	16,566,869
Total accumulated depreciation	<u>15,859,162</u>	<u>961,425</u>	<u>253,718</u>	<u>16,566,869</u>
Business-type activities capital assets, net	<u>\$ 4,439,974</u>	<u>\$ 1,044,529</u>	<u>\$ 7,856</u>	<u>\$ 5,476,647</u>

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

Governmental Activities:	
Regular instruction	\$ 80,657,691
Special education	143,662
School administration	52,535
Student transportation	10,309,057
Operation of plant	195,836
Maintenance of plant	8,664,925
Administration	559,189
Total depreciation expense-governmental activities	<u>\$ 100,582,895</u>
Business-Type Activities:	
Food services	\$ 929,901
Entrepreneurial	31,524
Total depreciation expense-business-type activities	<u>\$ 961,425</u>

Commitments for ongoing construction in progress at June 30, 2017 are \$196,476,632.

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7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2017 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 66,220,464	\$ 875,946	\$ 67,096,410
Retainage payable	8,026,165		8,026,165
Accrued salaries and withholdings	67,508,676		67,508,676
Claims payable	23,438,955		23,438,955
Due to employees-advance premium withholding	8,501,867		8,501,867
Total accounts payable and other current liabilities	<u>\$ 173,696,127</u>	<u>\$ 875,946</u>	<u>\$ 174,572,073</u>

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$8,620,895 in 2017. Commitments for fiscal year 2018 under lease agreements are approximately \$8,579,344. Lease agreements typically provide for automatic yearly termination on July 1 of any year in which funds to meet rental payments are not appropriated.

b) Capital Leases

Under a master lease arrangement, the Board acquires school buses, vehicles, technology and other equipment under noncancelable capital leases that expire at various times through fiscal year 2022. Lease payments, including interest, in fiscal year 2017 were \$15,868,498 for the General Fund, \$15,258,324 for the Capital Projects Fund and \$277,235 for the Enterprise Funds.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 70,397,937	\$ -
Less: accumulated depreciation	(14,715,317)	
Total	<u>\$ 55,682,620</u>	<u>\$ -</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Fiscal year ending June 30	Governmental Activities	Business-Type Activities
2018	\$ 25,257,358	\$ 277,235
2019	16,178,847	234,477
2020	11,999,130	108,621
2021	5,415,202	54,543
2022	2,723,939	-
Total minimum lease payments	61,574,476	674,876
Less : Amount representing interest	(2,576,499)	(23,548)
Present value of future minimum lease payments	<u>\$ 58,997,977</u>	<u>\$ 651,328</u>

\$36,717,465 of outstanding capital lease obligations for governmental activities at June 30, 2017, was used to acquire capital assets.

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9. Long-Term Liabilities

Long-term liability activities during fiscal year 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 58,152,564	\$ 30,944,089	\$ 30,098,676	\$ 58,997,977	\$ 24,073,395
Compensated absences	138,950,523	11,813,624	9,891,278	140,872,869	9,643,996
Net pension liability(*)	407,544,783	66,382,528		473,927,311	
Net OPEB obligation	565,753,392	63,033,718	32,747,887	596,039,223	
Total	\$ 1,170,401,262	\$ 172,173,959	\$ 72,737,841	\$ 1,269,837,380	\$ 33,717,391

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Capital leases	\$ 655,347	\$ 261,790	\$ 265,809	\$ 651,328	\$ 265,164
Compensated absences	2,733,140	224,097	243,598	2,713,639	197,877
Net OPEB obligation	7,974,822	1,276,020	481,112	8,769,730	
Total	\$ 11,363,309	\$ 1,761,907	\$ 990,519	\$ 12,134,697	\$ 463,041

*Net activities

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

10. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or students; natural disasters; and employee health benefits. The Board participates in the Montgomery County Liability and Property Coverage Self-Insurance Program. Under this program, the Board receives coverage for general liability, workers' compensation, public official liability, property, and motor vehicle risks, generally up to a maximum of \$100,000 per claim, increasing to \$400,000 effective October 1, 2016. The Board's premium payments to the fund are an actuarially determined reflection of the covered risks. The Board purchases commercial insurance for claims in excess of coverage by the self-insurance program and for other risks not covered by the program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The active employees' health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The postemployment health benefits plan is financed through a fiduciary fund, the OPEB Plan Trust. The funds provide plan coverage for active and retired employees under contracts with several insurance companies and health maintenance organizations (HMO's). The Board funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 13). Claims payable of \$23,438,955 and \$8,156,965 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2017, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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Changes in claims payable for fiscal years 2017 and 2016 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2017				
Internal Service Fund	\$ 20,526,621	\$ 269,600,070	\$ (266,687,736)	\$ 23,438,955
Fiduciary Funds	6,947,450	91,117,460	(89,907,945)	8,156,965
Total	<u>\$ 27,474,071</u>	<u>\$ 360,717,530</u>	<u>\$ (356,595,681)</u>	<u>\$ 31,595,920</u>
2016				
Internal Service Fund	\$ 19,028,247	\$ 254,910,981	\$ (253,412,607)	\$ 20,526,621
Fiduciary Funds	5,927,668	84,109,580	(83,089,798)	6,947,450
Total	<u>\$ 24,955,915</u>	<u>\$ 339,020,561</u>	<u>\$ (336,502,405)</u>	<u>\$ 27,474,071</u>

11. Defined Benefit Pension Plans (GASB 68)

Substantially all of the Board's employees working at least 4 hours a day in an approved job classification are covered under one of three mandatory defined benefit retirement plans. Two of these are cost-sharing multi-employer type plans administered by the Maryland State Retirement System (MSRS); and one is a single-employer plan, the Board Employees' Retirement and Pension System, administered by the Board.

A. State Plans

General Information about the Plan

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

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

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

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

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

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

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

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

The State makes a substantial portion of the Board annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the Board. The State's contributions on behalf of the Board for the year ended June 30, 2017 was \$165,424,794. The fiscal year 2017 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, 2017 was \$54,541,959.

The Board contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2017, was 5.93% 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, 2017 of \$619,299.

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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, 2017, the Board reported a liability of \$7,143,423 for its proportionate share of the net pension liability of the System, increased by \$1,604,972 from \$5,538,451 in FY16. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2016, the Board proportionate share was 0.0302764%, which is an increase of 0.0036258% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Board recognized pension expense of \$1,147,751. 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	\$ 1,385,087	\$ -
Net difference between projected and actual earnings on pension plan investments	1,074,445	(222,967)
Difference between projected and actual experience		(168,401)
Board contributions subsequent to the measurement date	619,299	
Total	\$ 3,078,831	\$ (391,368)

The \$619,299 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, 2018. 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:		
2018		493,659
2019		493,659
2020		563,012
2021		421,266
2022		96,568

Teachers' Retirement and Pension Systems

At June 30, 2017, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the Board, therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

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State's proportionate share of the net pension liability associated with the Board	\$ 1,871,367,674
The Board's proportionate share of the net pension liability	-
Total	\$ 1,871,367,674

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportionate share of the net pension liability increased by \$348,490,439, from \$1,522,877,235 in FY16 to \$1,871,367,674 in FY17.

For the year ended June 30, 2017, the Board recognized pension expense of \$165,424,794 and revenue of \$165,424,794 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, 2016 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	2.70% general, 3.2% wage
Salary increases	3.30% to 9.20%, including inflation
Investment rate of return	7.55%
Discount Rate	7.55%
Mortality rates	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

The economic and demographic actuarial assumptions used in the June 30, 2016 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY 2014. Certain assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015.

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

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	37%	6.6%
Fixed Income	20%	1.3%
Credit Opportunity	9%	4.2%
Real Assets	15%	4.7%
Absolute Return	9%	3.7%
Private Equity	10%	7.4%
Total	<u>100%</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Sensitivity of the Net Pension Liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Board's net pension liability, calculated using a single discount rate of 7.55%, as well as what the Board's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Board's proportionate share of the net pension liability	\$9,812,110	\$7,143,422	\$4,922,674

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

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

B. The Board Plan

General Information about the Pension Plan

Plan Description. The Employees' Retirement and Pension System is funded and administered as a single plan with three separate benefit structures: the retirement system, the pension system, and the reformed pension system. The Retirement system covers employees hired prior to January 1, 1980. The retirement system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Retirement System and supplements the state benefits to members of the Maryland State Teachers' Retirement System. The

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Pension system covers employees hired after January 1, 1980. Members in the retirement system may elect to participate in the pension system, in which case their excess contributions are refunded. Effective July 1, 2011, The Board of Education adopted plan amendments to the core Pension System that generally mirror State of Maryland plan changes. This is called the reformed pension plan.

Benefits provided. The system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Retirement System and supplements the state benefits to members of the Maryland State Teachers' Retirement System. Benefits at retirement are based on years of service and the average earned compensation of an eligible employee during any three years (highest three consecutive years for pension system or highest five consecutive years for employees hired after June 30, 2011) that provide the highest average earned compensation, and are adjusted for changes in the consumer price index after retirement. Benefits at early retirement are reduced by an early retirement factor. Benefits vest after five years (ten years for employees hired after June 30, 2011) of creditable service. For employees hired after June 30, 2011, plan benefit changes were made, as follows:

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

At July 1, 2016 the date of the latest actuarial report, the Board's plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	13,137
Terminated plan members entitled to benefits but not yet receiving them	4,998
Active plan members	<u>21,524</u>
Total	<u>39,659</u>

Contributions. Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5 percent and 7.5 percent, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board of Education. Administrative costs are financed through investment earnings. The Board actuarially determined contribution rate as a percentage of covered payroll for FY 2017 was 4.18%.

Net Pension Liability

The Board net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. It was as follows:

Total pension liability	\$1,881,931,331
Plan fiduciary net position	<u>(1,415,147,443)</u>
Net pension liability	<u>\$ 466,783,888</u>

Plan fiduciary net position as a percentage of the total pension liability 75.2%

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

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method-Accounting	Plan changes are immediate, assets are over a 5 year closed period and liability changes are over the average working lifetime of all participants
Amortization method-Funding	Plan changes are on a 30 year closed amortization method and gain/losses, assumption and methods changes are on an open 15 year amortization
Asset valuation method-Accounting	Fair market value
Asset valuation method-Funding	5 year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Service and age based split between teachers and staff
Cost of living adjustments	1.95% - 3%
General inflation	2.75%
Retirement	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rate	Healthy lives: RP-2014 white collar mortality table with scale MP-2014 projection scales Disabled lives: 100% of published rate for RP-2000 disabled mortality table, projected to 2022 (sex distinct).

The actuarial assumption used in the July 1, 2016 valuation was based on the results of prior actuarial experience study completed as of June 30, 2014. It was first applicable for funding and accounting numbers using the 2015 valuation date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2016.

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

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

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Changes in the Net Pension Liability

	Increase (Decreases)		Net Pension Liability (a)-(b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at 6/30/2016	\$ 1,809,978,361	\$ 1,407,972,029	\$ 402,006,332
Changes for the year			
Service cost	43,500,877		43,500,877
Interest	135,814,794		135,814,794
Differences between expected and actual experience	(22,132,062)		(22,132,062)
Contributions - employer		74,861,086	(74,861,086)
Contributions - employee		22,949,001	(22,949,001)
Net Investment Income		(3,391,963)	3,391,963
Benefit payments, including refunds of employee contributions	(85,230,639)	(85,230,639)	
Administrative expense		(2,012,071)	2,012,071
Assumption changes	-		-
Net Changes	71,952,970	7,175,414	64,777,556
Balance as of 6/30/2017	\$ 1,881,931,331	\$ 1,415,147,443	\$ 466,783,888

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

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$717,512,106	\$466,783,888	\$258,583,807

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2016 was (0.02%). 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, 2017, the Board recognized pension expense of \$75,106,806. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience measurement date	\$ -	(\$67,291,035)
Net difference between projected and actual earnings on pension plan investments measurement date	133,322,386	(36,696,517)
Changes in assumptions	65,329,737	
Board contributions subsequent to the measurement date	65,877,870	
Total	\$ 264,529,993	(\$103,987,552)

\$65,877,870 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, 2018. 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:

2018	22,722,244
2019	22,722,244
2020	41,070,504
2021	25,799,346
2022	86,484
Thereafter	(17,736,251)

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

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

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average earned compensation, and are adjusted for changes in the consumer price index after retirement. Benefits at early retirement are reduced by an early retirement factor. Benefits vest after five years (ten years for employees hired after June 30, 2011) of creditable service. For employees hired after June 30, 2011, plan benefit changes were made, as follows:

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

At July 1, 2016, the date of the latest actuarial report, the Board's plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	13,137
Terminated plan members entitled to benefits but not yet receiving them	4,998
Active plan members	<u>21,524</u>
Total	<u>39,659</u>

Contributions. Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5 percent and 7.5 percent, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board of Education. Administrative costs are financed through investment earnings. The Board actuarially determined contribution rate as a percentage of covered payroll for FY 2017 was 4.18%.

Net Pension Liability

Beginning of year total pension liability based on the Board's actuarial valuation date of July 1, 2016, and a measurement date of June 30, 2016. The end of year total pension liability based on the Board's actuarial valuation date of July 1, 2016, with the results rolled forward to a measurement date of June 30, 2017.

Total pension liability	\$1,977,417,960
Plan fiduciary net position	<u>(1,586,455,212)</u>
Net pension liability	<u>\$ 390,962,748</u>

Plan fiduciary net position as a percentage of the total pension liability	80.23%
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Method and assumptions used to determine Net Pension Liability were as follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method-Accounting	Plan changes are immediate, assets are over a 5 year closed period and liability changes are over the average working lifetime of all participants
Amortization method-Funding	Plan changes are on a 30 year closed amortization method and gain/losses, assumption and methods changes are on an open 15 year amortization
Asset valuation method-Accounting	Fair market value
Asset valuation method-Funding	5 year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Service and age based split between teachers and staff
Cost of living adjustments	1.95% - 3%
General inflation	2.75%
Retirement	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rate	Healthy lives: RP-2014 white collar mortality table with scale MP-2014 projection scales Disabled lives: 100% of published rate for RP-2000 disabled mortality table, projected to 2022 (sex distinct).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2016, then rolled forward to June 30, 2017 including any changes made to the roll forward. The actuarial assumption used in the June 30, 2017 valuation was based on the results of prior actuarial experience study completed as of June 30, 2014. It was first applicable for funding and accounting numbers using the 2015 valuation date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2017.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of return</u>
Fixed income	25%	4.5%
Global Equities	50%	7.9%
Alternatives	25%	7.7%

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

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Changes in the Net Pension Liability

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

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

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

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2017 was 11.9%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

13. Postemployment Healthcare Benefits

In FY17, 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. But the new accounting standard for the employer of OPEB plan (GASB 75) will not be effective until FY18 CAFR. Since the Board does not issue separate OPEB plan financial statements, the Board needs to continue to disclose the existing GASB 45 information per existing standard as an employer of the OPEB plan, such as Net OPEB obligation.

A. GASB 45

Plan Description. The OPEB Plan Trust is a single-employer defined benefit healthcare plan funded and administered by the Board. Employees receiving a Board of Education approved retirement are eligible, in accordance with bargaining agreements between the Board of Education and employee

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associations, for continued healthcare coverage if they have been covered under the Board Employee Benefit Plan for at least five years, (ten years for employees hired after July 1, 2011). Terminated employees are not eligible to participate in the plan. The OPEB Plan provides medical, dental, vision, prescription drug, and life insurance benefits for retirees and their dependents. Authority to establish and amend benefit provisions resides with the Board of Education. Separate financial statements for the OPEB Plan Trust are not available.

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

Retirees and beneficiaries receiving benefits	13,235
Active plan members	<u>22,143</u>
Total	<u>35,378</u>

Funding Policy: The Board has the authority to establish and amend contribution requirements of the plan members and the Board. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and the Board contributes 64 percent toward the current cost of healthcare benefits. Effective for employees hired July 1, 2011 and for certain employees hired as of July 1, 2006, a tiered contribution structure is in effect, with the Board contribution levels of 40, 50, or 64 percent respectively based on years of service. During fiscal year 2017, plan members and beneficiaries receiving benefits contributed \$37,315,988 (approximately 24.5 percent of current contributions). The Board and other contributing entities' contributed \$115,059,262 (approximately 75.5 percent of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to create a consolidated OPEB Plan Trust (CRHBT) that expanded the county OPEB Trust to include the Board employees. Beginning in fiscal year 2012, and for each fiscal year thereafter, the Board annual contribution toward funding amortization of the actuarial accrued liability (AAL) has been made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the Board OPEB Plan Trust. In FY 2017, the Montgomery County Council contributed \$63,055,000 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 not issued for the CRHBT.

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, AAL was \$1,821.3 million and the unfunded AAL (UAAL) was \$1,519.5 million. Actuarial plan assets were \$301.8 million and the funded ratio was 16.6 percent. The annual covered payroll of active employees covered by the plan was \$1,425.7 million, and the ratio of the UAAL to covered payroll was 106.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the Board are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level

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of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. An employer's net OPEB obligation is the cumulative difference between annual OPEB cost and the employer's contributions to a plan. The following table shows the components of the Board' annual OPEB cost and changes in the net OPEB obligation:

Annual required contribution	\$	136,339,000
Interest on net OPEB obligation		43,030,001
Adjustment to annual required Contribution		<u>(33,229,000)</u>
Annual OPEB cost		146,140,001
Contributions made		<u>115,059,262</u>
Increase in net OPEB obligation		31,080,739
Net OPEB obligation – beginning of year		<u>573,728,214</u>
Net OPEB obligation – end of year	\$	<u><u>604,808,953</u></u>

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

Year ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	127,766,477	83.5	520,807,610
2016	137,873,708	61.6	573,728,214
2017	146,140,001	78.7	604,808,953

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Board and plan members) and include the types of benefits provided at the time of each valuation and the historic pattern of sharing of benefit costs between the Board and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Investment return	7.5%
Inflation rate	3.0%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	6.77%, 4.5%
Medical post-65	5.41%, 4.5%
Prescription drugs	11.8%, 4.5%
Dental	4.5%
Vision	3.5%
Amortization method	Level percentage of projected payroll Increasing 3% per year. Open basis
Remaining amortization period	30 years
Projected salary increases	Services and age based split between teachers and staff.
Mortality	Healthy lives: RP-2014 White Collar mortality table and Scale MP-2014 projection scale. Disabled lives: 100% of published rates for RP- 2000 disabled mortality table, projected to 2022 (sex distinct).

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B. GASB 74

In FY17, 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.

Plan Description. The OPEB Plan Trust is a single-employer defined benefit healthcare plan funded and administered by the Board, but assets managed by Montgomery County Council. Employees receiving a Board of Education approved retirement are eligible, in accordance with bargaining agreements between the Board of Education and employee associations, for continued healthcare coverage if they have been covered under the Board Employee Benefit Plan for at least five years, (ten years for employees hired after July 1, 2011). Terminated employees are not eligible to participate in the plan. The OPEB Plan provides medical, dental, vision, prescription drug, and life insurance benefits for retirees and their dependents. Authority to establish and amend benefit provisions resides with the Board of Education. Separate financial statements for the OPEB Plan Trust are not available.

Benefit Provided. The Board offers single employer plans including CareFirst BlueChoice HMO, Kaiser HMO, CIGNA Indemnity, CIGNA Select HMO, CIGNA Select + Closed or Open POS (offered to pre-65 retirees only), Caremark Prescription Drugs (Option A or B), Kaiser Prescription Drugs, Aetna Dental DMO or PPO and Vision. The Board's employees are eligible to continue group insurance coverage after retirement provided that retiring employees qualify for pension benefits under either the Employees' Pension System (EPS) or Employees' Retirement System (ERS). The surviving spouses and dependent children who are covered under any of the Board's sponsored health plans (medical, vision, prescription or dental) have the right to continue coverage upon the death of the Board's employee/retiree. Retirees/spouses who are eligible for Medicare Parts A & B must enroll for Medicare coverage in order to retain coverage under the Board' plans. Group life insurance may be continued for retirees with 10 years of service prior to retirement. Eligible employees will have their life insurance coverage modified as follows: An employee's life insurance coverage on the day before the employee's retirement is equal to final pay. When an employee elects to continue the basic employee term life insurance coverage, the coverage amount reduces to 42.5% of the active employee basic term life insurance amount. For each of the next four years, on the anniversary of the retirement, the life insurance amount will reduce by 7.5% of the active life amount. On the fourth anniversary of the retirement, the life insurance amount becomes 12.5% of the active life amount and will remain at that level for the lifetime as long as the premiums are paid.

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

Inactive Plan Members with Medical Coverage	9,212
Active plan members	<u>22,143</u>
Total	<u><u>31,355</u></u>

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 percent and the Board contributes 64 percent toward the current cost of healthcare benefits. Effective for employees hired July 1, 2011 and for certain employees hired as of July 1, 2006, a tiered contribution structure is in effect, with the Board contribution levels of 40, 50, or 64 percent respectively based on years of service. During fiscal year 2017, plan members and beneficiaries receiving benefits contributed \$37,315,988 (approximately 24.5 percent of current contributions). The Board and other contributing entities' contributed \$115,059,262 (approximately 75.5 percent of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

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Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to create a consolidated OPEB Plan Trust (CRHBT) that expanded the county OPEB Trust to include investments of the Board's OPEB Plan Trust. Beginning in fiscal year 2012, and for each fiscal year thereafter, the Board annual contribution toward funding amortization of the actuarial accrued liability (AAL) has been made by the Montgomery County Council directly to the CRHBT rather than to the Board OPEB Plan Trust. In FY 2017, the Montgomery County Council contributed \$63,055,000 and recorded as on behalf of the Board employees.

The Board of CRHBT Trustees has the exclusive authority to manage the assets of the CRHBT. The Board of Trustees consists of nineteen trustees and functions as part of the County. Separate financial statements are not issued for the CRHBT but are part of the financial statements of Montgomery County, Maryland.

Funding Status and Funding Progress Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the Board are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

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

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

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

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	3.0%
salary increases	1.95% to 9.40%, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement Age	Experience-based table of rates
Health care cost trend rates	Trend rates of 11.8% for Rx, 6.77% for pre-65 medical and 5.41% for 65+ medical, decreasing to an ultimate trend rate of 4.50%
Mortality	Healthy lives: Healthy lives: RP-2014 White Collar mortality table, sex distinct, with

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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 projection scale AA (sex distinct).

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

The assets of CRHBT are managed by the County. The following target allocation was adopted asset allocation policy as of June 30, 2017 by the CRHBT's Board. The long-term expected rate of return on CRHBT plan investments was determined by the County using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 (see the discussion of the OPEB plan's investment policy) are summarized in the following table:

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

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

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

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

Changes in the Net OPEB Liability

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate The following presents the net OPEB liability calculated using the discount rate of 5.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.87%) or 1-percentage-point higher (6.87%) than the current rate:

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$1,852,999,552	\$2,292,195,425	\$2,864,651,076

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14. Trust Plans Condensed Financial Statements

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

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 1,586,971,133	\$ 393,902,193	\$ 1,980,873,326
Total assets	1,586,971,133	393,902,193	1,980,873,326
Liabilities:			
Total liabilities	515,921	8,546,686	9,062,607
Net Position:			
Held in trust for pension/ Other postemployment benefits	\$ 1,586,455,212	\$ 385,355,507	\$ 1,971,810,719

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 89,627,067	\$ 152,375,250	\$ 242,002,317
Net investment earnings	172,942,114	36,233,300	209,175,414
Total additions	262,569,181	188,608,550	451,177,731
Deductions:			
Benefit and premium payments	90,109,676	107,748,325	197,858,001
Administrative expenses	1,151,736	292,732	1,444,468
Total deductions	91,261,412	108,041,057	199,302,469
Change in net position	171,307,769	80,567,493	251,875,262
Net position - beginning	1,415,147,443	304,788,014	1,719,935,457
Net position - ending	\$ 1,586,455,212	\$ 385,355,507	\$ 1,971,810,719

15. 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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

16. Name Change

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

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REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
 YEAR ENDED JUNE 30, 2017

Fiscal Year Ending	2017	2016	2015
Total pension Liability			
Service Cost	43,500,877	53,269,208	53,238,295
Interest	135,814,794	123,895,167	120,371,102
Benefit Changes			
Different between Actual & Expected if any	(22,132,062)	(18,234,988)	(47,593,419)
Assumption Changes		93,368,251	
Benefit Payments	(85,230,639)	(81,971,251)	(76,147,472)
Refund			
Net Change in Total Pension Liability	<u>71,952,970</u>	<u>170,326,387</u>	<u>49,868,506</u>
Total Pension Liability -Beginning	<u>1,809,978,361</u>	<u>1,639,651,974</u>	<u>1,589,783,468</u>
Total Pension Liability -Ending (a)	<u>\$ 1,881,931,331</u>	<u>\$ 1,809,978,361</u>	<u>\$ 1,639,651,974</u>
Plan Fiduciary Net Position			
Contribution -Employer	74,861,086	83,498,517	80,544,815
Contribution -Employee	22,949,001	22,486,721	21,578,300
Net Investment Income	(3,391,963)	26,441,619	179,375,231
Benefit Payments	(85,230,639)	(81,971,251)	(76,147,472)
Refund			
Admin Expense	(2,012,071)	(2,217,291)	(2,163,665)
Other			
Net change in Plan Fiduciary Net Position	<u>7,175,414</u>	<u>48,238,315</u>	<u>203,187,209</u>
Plan Fiduciary Net Position -beginning	<u>1,407,972,029</u>	<u>1,359,733,714</u>	<u>1,156,546,505</u>
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,415,147,443</u>	<u>\$ 1,407,972,029</u>	<u>\$ 1,359,733,714</u>
Net Pension Liability -Ending (a-b)	466,783,888	402,006,332	279,918,260
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.20%	77.79%	82.93%
Covered Employee Payroll	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Employee Payroll	32.74%	28.12%	20.13%
Notes to Schedule			

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE EMPLOYER'S NET PENSION LIABILITY
 YEAR ENDED JUNE 30, 2017

FY Ending	Total Pension	Plan Net	Net Pension	Plan Net Postion	Covered	Net Pension
30-Jun	Liability	Position	Liability	as a % of	Payroll	Liability as a % of
				Total pension		Covered Payroll
				Liability		
2015	\$ 1,639,651,974	\$ 1,359,733,714	\$ 279,918,260	82.93%	\$ 1,390,868,330	20.13%
2016	1,809,978,361	1,407,972,029	402,006,332	77.79%	1,429,764,138	28.12%
2017	1,881,931,331	1,415,147,443	466,783,888	75.20%	1,425,722,698	32.74%

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 PENSION CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2017

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 79,016,414	\$ 80,544,815	\$ (1,528,401)	1,390,868,330	5.79%
2016	44,295,412	83,498,517	(39,203,105)	1,429,764,138	5.84%
2017	58,384,555	74,861,086	(16,476,531)	1,425,722,698	5.25%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
 YEAR ENDED JUNE 30, 2017

Fiscal year ending June 30	2017	2016	2015	2014	2013
Actual money weighted rate of return, net of investment expense	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.
 This schedule is required per GASB 67 and 68.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2017

<u>Employees' Retirement and Pension Systems</u>	2017	Fiscal Year Ending 2016	2015
District's proportion of the net pension liability (asset)	0.03027640000000000000%	0.02665060000000000000%	0.02295670122374600000%
District's proportionate share of the net pension liability (asset) \$	7,143,423	\$ 5,538,451	\$ 4,074,064
District's covered-employee payroll	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as of a percentage of the total pension liability	65.79%	68.78%	71.87%
<u>Teachers' Retirement and Pension Systems</u>			
District's proportion of the net pension liability (asset)	0.03027640000000000000%	0.02665060000000000000%	0.02295670122374600000%
District's proportionate share of the net pension liability (asset) \$	-	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	1,871,367,674	1,522,877,235	1,115,879,101
Total	<u>\$ 1,871,367,674</u>	<u>\$ 1,522,877,235</u>	<u>\$ 1,115,879,101</u>
District's covered-employee payroll \$	1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.26%	106.51%	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	65.79%	68.78%	71.87%

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT CONTRIBUTION
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014	Fiscal Ending 2013	2012	2011	2010	2009	2008
Employees' Retirement and Pension Systems										
Contractually required contribution	\$ 589,809	\$ 561,723	\$ 534,974	\$ 509,499	\$ 485,237	\$ 462,130	\$ 440,124	\$ 419,166	\$ 399,206	\$ 380,196
Contributions in relation to the contractually required contribution	589,809	561,723	534,974	509,499	485,237	462,130	440,124	419,166	399,206	380,196
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Teachers' Retirement and Pension Systems										
Contractually required contribution	\$ 157,007,517	\$ 156,997,295	\$ 148,989,559	\$ 131,705,430	\$ 173,954,985	\$ 169,926,025	\$ 149,981,157	\$ 124,897,387	\$ 115,507,019	\$ 91,640,319
Contributions in relation to the contractually required contribution	157,007,517	156,997,295	148,989,559	131,705,430	173,954,985	169,926,025	149,981,157	124,897,387	115,507,019	91,640,319
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330	\$ 1,358,290,896	\$ 1,342,294,369	\$ 1,306,604,776	\$ 1,346,387,488	\$ 1,352,101,092	\$ 1,327,592,509	\$ 1,215,302,201
Contributions as a percentage of covered employee payroll	11.01%	10.98%	10.71%	9.70%	12.96%	13.01%	11.14%	9.24%	8.70%	7.54%

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

**BOARD OF EDUCATION OF MONTGOMERY COUNTY
EMPLOYEES' RETIREMENT AND PENSION SYSTEM PLAN GASB 67
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2017**

Fiscal Year Ending	2017
Total pension Liability	
Service Cost	44,436,725
Interest	141,159,580
Benefit Changes	
Different between Actual & Expected if any	
Assumption Changes	
Benefit Payments	(90,109,676)
Refund	
Net Change in Total Pension Liability	<u>95,486,629</u>
Total Pension Liability -Beginning	<u>1,881,931,331</u>
Total Pension Liability -Ending (a)	<u>\$ 1,977,417,960</u>
Plan Fiduciary Net Position	
Contribution -Employer	65,877,870
Contribution -Employee	23,749,197
Net Investment Income	172,942,114
Benefit Payments	(90,109,676)
Refund	
Admin Expense	(1,151,736)
Other	
Net change in Plan Fiduciary Net Position	<u>171,307,769</u>
Plan Fiduciary Net Position -beginning	<u>1,415,147,443</u>
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,586,455,212</u>
Net Pension Liability -Ending (a-b)	<u>390,962,748</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.23%
Covered Employee Payroll (c)	\$ 1,468,494,379
Net Pension Liability as a Percentage of Covered Employee Payroll	26.62%
Notes to Schedule	

GASB 67 requires 10 year information, this schedule reflects the current year. Previous year schedules reported in page 88 as required by GASB 68. Additional years will be displayed as they become available.

a) Each of year total pension liability based on an actuarial valuation date of July 1, 2016, with the results rolled forward to a measurement date of Jun 30, 2017.

c) Covered employee payroll is equal to the valuation payroll from the actuarial valuation as of July 1, 2016, rolled forward with one of year of payroll growth at 3.00%.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2017

OPEB PLAN TRUST

Schedule of Funding Progress
 (000'S omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/2007	\$ -	\$ 1,299,106	\$ 1,299,106	0.0%	\$ 1,215,302	106.9%
7/01/2008	16,662	1,256,907	1,240,245	1.3	1,327,593	93.4
7/01/2010	33,156	1,568,612	1,535,456	2.1	1,346,387	114.0
7/01/2012	71,693	1,809,882	1,738,189	4.0	1,342,294	129.5
7/01/2013	138,518	1,265,790	1,127,272	10.9	1,358,291	83.0
7/01/2014	241,661	1,406,200	1,164,539	17.2	1,390,868	83.7
7/01/2016	301,788	1,821,277	1,519,489	16.6	1,425,723	106.6

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

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation (Assets)
		MCPS	Other Contributing Entities	
2009	\$ 122,819	48.0%	2.1%	\$ 128,599
2010	131,690	30.6	3.5	217,751
2011	131,690	33.7	3.4	304,556
2012	161,224	30.8	14.9	396,719
2013	161,224	32.0	37.7	451,524
2014	177,186	28.3	48.2	499,761
2015	120,494	11.7	76.9	520,808
2016	130,295	5.7	59.5	573,728
2017	136,339	24.4	60.0	604,809

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB PLAN LIABILITY AND RELATED RATIOS
 YEAR ENDED JUNE 30, 2017

Fiscal Year Ending	2017
Total OPEB Liability	
Service Cost	\$ 125,216,637
Interest	146,230,235
Benefit Changes	
Different between Actual & Expected if any	
Assumption Changes	(270,838,727)
Benefit Payments, including refunds	(70,432,337)
of employee contributions *	
Net Change in Total OPEB Liability	<u>(69,824,192)</u>
Total OPEB Liability -Beginning	<u>2,747,375,124</u>
Total OPEB Liability -Ending (a)	<u>\$ 2,677,550,932</u>
 Plan Fiduciary Net Position	
Contribution -Employer	96,333,627
Contribution -Nonemployer entities	
Medicare Part D subsidies	18,725,635
Contributions-member	37,315,988
Net Investment Income	36,233,300
Benefit Payments, including refunds	(107,748,325)
of employee contributions	
Admin Expense	(292,732)
Other	
Net change in Plan Fiduciary Net Position	<u>80,567,493</u>
Plan Fiduciary Net Position -beginning	<u>304,788,014</u>
Plan Fiduciary Net Position -Ending (b)	<u>\$ 385,355,507</u>
Net OPEB Liability -Ending (a-b)	<u>\$ 2,292,195,425</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	14.39%
Covered Employee Payroll (c)	\$ 1,546,150,104
Net OPEB Liability as a Percentage of Covered Employee Payroll	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, 2017

FY Ending	Total OPEB	Plan Net	Net OPEB	Plan Net Position	Covered	Net OPEB Liability
30-Jun	Liability	Position	Liability	as a % of Total OPEB Liability	Payroll	as a % of Covered Payroll
2017	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425	14.39%	\$ 1,546,150,104	148.25%

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, 2017**

FY Ending	Actuarially Determined	Actual	Contribution	Actual Contribution as a % of	
30-Jun	Contribution	Contribution	Deficiency (Excess)	Covered Payroll	Covered Payroll
2017	\$ 136,339,000	\$ 115,059,262	\$ 21,279,738	\$ 1,546,150,104	7.44%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of projected payroll. Increasing 3% per year. Open basis
Remaining amortization period	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.
Health care cost trend rates	(initial, ultimate)
Medical pre-65	6.77%, 4.5%
Medical post-65	5.41%, 4.5%
Prescription drugs	11.8%, 4.5%
Dental	4.50%
Vision	3.50%
Mortality rates	Healthy lives: RP-2014 White Collar mortality table, sex distinct, with generational mortality improvements using scale MP-2014. The provision for future mortality improvement for healthy lives is based on the generational application of the MP-2014 improvement scales Disabled Lives: RP-2000 disabled mortality table, sex distinct, projected to 2022 using projection scale AA (static table)
Health Care Trend Rates	Trend rates of 11.8% for Rx, 6.77% for pre-65 medical and 5.41% for 65+ medical, decreasing to an ultimate trend rate of 4.50%

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

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

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

**BOARD OF EDUCATION OF MONTGOMERY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2017**

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

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

SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2017

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, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 535,107,771	\$ 537,431,771	\$ 219,215,810	\$ (318,215,961)
State of Maryland	64,202,315	64,780,315	49,868,385	(14,911,930)
Federal	85,457	1,391,229	1,305,772	(85,457)
Other sources	<u>2,477,569</u>	<u>8,266,371</u>	<u>481,833</u>	<u>(7,784,538)</u>
Total revenues	601,873,112	611,869,686	270,871,800	(340,997,886)
Expenditures and encumbrances:				
Capital outlay	<u>601,873,112</u>	<u>611,869,686</u>	<u>270,871,800</u>	<u>340,997,886</u>
Total expenditures and encumbrances	<u>601,873,112</u>	<u>611,869,686</u>	<u>270,871,800</u>	<u>340,997,886</u>
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to GAAP fund balance: 2017 encumbrances outstanding			<u>-</u>	
Fund balance - GAAP basis			<u>\$ -</u>	

BOARD OF EDUCATION OF MONTGOMERY COUNTY
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2017

Award Number	Project Name	Project Authorization	Expended to Jun 30, 2017	Committed	Available for Future Expenditure
000000	Unliquidated Surplus for Local Funds	\$ 1,352,600	\$ -	\$ -	1,352,600
006503	Water and Indoor Air Quality Improvements	750,224	72,000	222,412	455,812
016532	Fire Safety Code Upgrades Local Funding	4,064,374	1,235,854	1,558,020	1,270,500
036510	Technology Modernization Local Funding	8,823,969		3,819,878	5,004,091
056501	Restroom Renovations Local Funding	1,126,983	751,198	306,952	68,833
076506	Building Modifications and Program Improvements	8,432,289	1,539,963	1,702,787	5,189,539
096501	Fairland Elementary School Local Funding	6,351,371	6,203,848	55,000	92,523
096505	Montgomery Knolls Elementary School Local	4,203,000	3,837,459	122,600	242,941
106500	County Water Quality Compliance	3,100			3,100
116504	Clarksburg Cluster ES (Clarksburg Village Site #1)	17,833,000	17,795,842	1,763	35,395
116505	Clarksburg High School Local Funding	11,820,000	7,907,937	28,938	3,883,125
116506	Clarksburg/Damascus Middle School (New)	52,764,000	47,407,830	130,026	5,226,144
116510	Viers Mill Elementary School Addition 2013	10,841,000	10,818,498		22,502
116513	Wyngate Elementary School Addition 2013	7,392,000	7,196,823	13,203	181,974
126500	WSSC Compliance 2012	15,656			15,656
136500	Arcola Elementary School Local Funding	3,804,000	3,422,467	73,203	308,330
136501	Bethesda Elementary School	3,970,000	3,968,551	1,303	146
136502	Bethesda-Chevy Chase Middle School #2 2017	54,114,000	49,630,317	4,024,523	459,160
136504	North Chevy Chase Elementary School	4,776,000	3,968,557	691,594	115,849
136505	Northwest Elementary School #8 (New) 2018	2,979,000		8,500	2,970,500
136507	Julius West Middle School Addition 2016	7,563,000	7,418,325	(32,014)	176,689
136508	Wood Acres Elementary School Addition 2016	5,969,000	5,793,788	(37,114)	212,326
136510	Modifications to Holding, Special Education & Alternative Schools Local	207,498		23,763	183,735
546034	Land Acquisition Local Funding	1,341,303			1,341,303
651503	North Bethesda MS Addition 2018	20,622,000	4,420,297	14,327,174	1,874,529
651504	Lucy V Barnsley ES Addition 2018	12,651,000	899,270	24,087	11,727,643
651505	Kensington-Parkwood ES Addition 2018	12,203,000	2,609,306	6,460,700	3,132,994
651510	Diamond Elementary School Addition 2018	8,611,000	4,101,175	2,690,521	1,819,304
651513	Bethesda-Chevy Chase HS Addition 2018	38,053,000	13,020,235	24,048,350	984,415
651515	Blair Ewing Center Improvements 2018	1,512,000			1,512,000
746032	Design and Construction Management	1,807,354		24,561	1,782,793
766995	Roof Replacement	22,204,038	6,943,261	6,881,072	8,379,705
796222	Energy Conservation	2,263,970	700,000	666,246	897,724
796235	ADA Compliance Local Funding	12,012,186	2,089,791	868,565	9,053,830
816633	HVAC Replacement	56,415,110	29,938,798	14,904,010	11,572,302
816695	Asbestos Abatement Local Funding	287,286		2,130	285,156
846540	Relocatable Classrooms Local Funding	5,455,950		2,632,770	2,823,180
876544	Stadium Lighting	350,872			350,872
896586	Planned Life Cycle Asset Replacement	8,911,225	4,581,571	1,548,043	2,781,611
916587	Rehab/Renovation of Closed Schools	61,248,122	31,332,855	23,267,705	6,647,562
926557	School Security Systems	150,453			150,453
926575	Current Replacements/Modernizations	390,558,599	284,245,497	79,567,835	26,745,267
956550	Stormwater Management	56,451		5,200	51,251
966553	Facility Planning Local Funding	1,330,633		373,363	957,270
975051	Improved (Safe) Access to Schools	4,473,234	1,888,953	48,812	2,535,469
651641	Shady Grove Transportation Depot Replacement	2,425,000			2,425,000
096503	Harmony Hills Elementary School	3,007,000	2,785,042	54,662	167,296
096506	Rock View Elementary School	2,000,000	1,368,382		631,618
096508	Whetstone Elementary School	191,800	191,800		-
651502	S. Christa McAuliffe ES Addition 2019	1,024,000	115,990	568,715	339,295
651507	Judith Resnick ES Addition 2020	871,000			871,000
651511	Burtonsville ES Addition 2020	1,172,000			1,172,000
651514	Ashburton ES Addition 2019	1,205,000	201,680	521,920	481,400
651518	Gaithersburg ES Addition 2020	3,578,726		3,554,419	24,307
651705	Thomas W. Pyle MS Addition 2020	1,426,000			1,426,000
651706	Takoma Park MS Addition 2020	1,954,000			1,954,000
651708	Pine Crest ES Addition 2020	703,000			703,000
651709	Montgomery Knolls ES Addition 2020	546,000			546,000
651713	Clarksburg Cluster ES (Village Site #2) 2019	2,476,000	341,605	720,435	1,413,960
Total Open & Interim Projects		904,254,376	570,744,765	196,476,632	137,032,979
Capitalized land, equipment and furniture, and items not ce		(14,809,269)	(14,809,269)		
Interim closing of open projects **		(467,087,804)	(467,087,804)		
Total construction in progress		\$ 422,357,303	\$ 88,847,692	\$ 196,476,632	\$ 137,032,979

* 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, 2017

** 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, 2017

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,742,791	\$ 1,742,791	\$ 1,742,791	\$ -
Total revenues	-	1,742,791	1,742,791	1,742,791	-
Expenditures and encumbrances:					
Community services	238	1,743,029	\$ 1,743,029	1,727,601	15,428
Total expenditures and encumbrances	238	1,743,029	1,743,029	1,727,601	15,428
Excess of expenditures and encumbrances over revenues	(238)	(238)	(238)	15,190	15,428
Fund balance - beginning	238	238	238	265,286	265,048
Fund balance - ending	\$ -	\$ -	\$ -	\$ 280,476	\$ 280,476
Reconciliation to GAAP fund balance: 2017 encumbrances outstanding				212	
Fund balance - GAAP basis				\$ 280,688	

NONMAJOR ENTERPRISE FUNDS

June 30, 2017

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, 2017

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 579,658	\$ 480,807	\$ -	\$ 1,060,465
Accounts receivable	242,904	71,976	407,095	721,975
Due from other funds	23,607	28,303	560,079	611,989
Inventories			3,270	3,270
Total current assets	<u>846,169</u>	<u>581,086</u>	<u>970,444</u>	<u>2,397,699</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment			118,786	118,786
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>118,786</u>	<u>118,786</u>
Total assets	<u>846,169</u>	<u>581,086</u>	<u>1,089,230</u>	<u>2,516,485</u>
Liabilities				
Current liabilities:				
Accounts payable	155,981		405,448	561,429
Due to other funds			13,055	13,055
Unearned revenue			421,984	421,984
Capital leases - current			26,540	26,540
Total current liabilities	<u>155,981</u>	<u>-</u>	<u>867,027</u>	<u>1,023,008</u>
Noncurrent liabilities:				
Capital leases payable			27,024	27,024
Compensated absences	35,128	110,752	185,421	331,301
Total noncurrent liabilities	<u>35,128</u>	<u>110,752</u>	<u>212,445</u>	<u>358,325</u>
Total liabilities	<u>191,109</u>	<u>110,752</u>	<u>1,079,472</u>	<u>1,381,333</u>
Net Position				
Net investment in capital assets			118,786	118,786
Unrestricted	655,060	470,334	(109,028)	1,016,366
Total net position	<u>\$ 655,060</u>	<u>\$ 470,334</u>	<u>\$ 9,758</u>	<u>\$ 1,135,152</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, 2017

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 3,194,139	\$ 2,053,978	\$ 4,040,576	\$ 9,288,693
Total operating revenues	<u>3,194,139</u>	<u>2,053,978</u>	<u>4,040,576</u>	<u>9,288,693</u>
Operating expenses:				
Salaries and wages	455,808	1,354,545	1,026,209	2,836,562
Contracted services	30,431	40,384	2,259,735	2,330,550
Supplies and materials	16,335	432,734	298,626	747,695
Other charges	2,723,734	178,681	258,973	3,161,388
Depreciation			31,524	31,524
Total operating expenses	<u>3,226,308</u>	<u>2,006,344</u>	<u>3,875,067</u>	<u>9,107,719</u>
Operating income (loss)	<u>(32,169)</u>	<u>47,634</u>	<u>165,509</u>	<u>180,974</u>
Change in net position	(32,169)	47,634	165,509	180,974
Total net position - beginning	687,229	422,700	(155,751)	954,178
Total net position - ending	<u>\$ 655,060</u>	<u>\$ 470,334</u>	<u>\$ 9,758</u>	<u>\$ 1,135,152</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,295,402	\$ 2,045,904	\$ 3,435,080	\$ 8,776,386
Payments to suppliers	(112,677)	(473,118)	(2,213,648)	(2,799,443)
Payments to employees	(530,562)	(1,448,901)	(1,154,062)	(3,133,525)
Payments for assessments made by other funds	(144,557)	(79,207)	(161,247)	(385,011)
Payments for other operating expenses	(2,540,443)			(2,540,443)
Net cash provided (used) by operating activities	<u>(32,837)</u>	<u>44,678</u>	<u>(93,877)</u>	<u>(82,036)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets			(61,500)	(61,500)
Principal paid on capital leases			(26,064)	(26,064)
Net cash provided (used) by capital and related financing activities			<u>(87,564)</u>	<u>(87,564)</u>
Increase (Decrease) in cash and cash equivalents	(32,837)	44,678	(181,441)	(169,600)
Cash and cash equivalents - beginning	612,495	436,129	181,441	1,230,065
Cash and cash equivalents - ending	<u>\$ 579,658</u>	<u>\$ 480,807</u>	<u>\$ -</u>	<u>\$ 1,060,465</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (32,169)	\$ 47,634	\$ 165,509	\$ 180,974
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation			31,524	31,524
Effects of changes in operating assets and liabilities:				
Receivables	101,263	(8,074)	(755,170)	(661,981)
Accounts payable	(65,911)		383,435	317,524
Due to other funds			(25,707)	(25,707)
Unearned revenue			149,673	149,673
Compensated absences	(36,020)	5,118	(43,141)	(74,043)
Net cash provided (used) by operating activities	<u>\$ (32,837)</u>	<u>\$ 44,678</u>	<u>\$ (93,877)</u>	<u>\$ (82,036)</u>

FIDUCIARY FUNDS

June 30, 2017

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, 2017

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Global equities	\$ 834,269,000	\$ -	\$ 834,269,000
Fixed income securities	367,181,079		367,181,079
Real estate	143,220,810		143,220,810
Alternative investments	204,037,049		204,037,049
Short-term investments	38,263,195		38,263,195
Total investments	<u>1,586,971,133</u>	-	<u>1,586,971,133</u>
Accounts receivable		551,305	551,305
Due from County Consolidated Retiree Health Benefits Trust		371,540,276	371,540,276
Due from Internal Service Fund		21,810,612	21,810,612
Total assets	<u>1,586,971,133</u>	<u>393,902,193</u>	<u>1,980,873,326</u>
LIABILITIES			
Accounts payable	167,521	169,325	336,846
Claims payable		8,156,965	8,156,965
Due to general fund	348,400	220,396	568,796
Total liabilities	<u>515,921</u>	<u>8,546,686</u>	<u>9,062,607</u>
NET POSITION			
Held in trust for pension/other postemployment benefits	<u>\$ 1,586,455,212</u>	<u>\$ 385,355,507</u>	<u>\$ 1,971,810,719</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, 2017

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 65,877,870	\$ 96,333,627	\$ 162,211,497
Members	23,749,197	37,315,988	61,065,185
Federal government - Medicare Part D		18,725,635	18,725,635
Total contributions	<u>89,627,067</u>	<u>152,375,250</u>	<u>242,002,317</u>
Investment earnings:			
Net increase in fair value of investments	167,118,372		167,118,372
Interest and dividends	9,928,737	36,233,300	46,162,037
Total investment income	<u>177,047,109</u>	<u>36,233,300</u>	<u>213,280,409</u>
Less investment expense:			
Investment fees and other	(4,104,995)		(4,104,995)
Total investment expense	<u>(4,104,995)</u>	<u>-</u>	<u>(4,104,995)</u>
Net investment earnings	<u>172,942,114</u>	<u>36,233,300</u>	<u>209,175,414</u>
Total additions	<u>262,569,181</u>	<u>188,608,550</u>	<u>451,177,731</u>
DEDUCTIONS			
Benefits paid to plan members	90,109,676	91,117,459	181,227,135
Premiums paid to insurance companies		16,630,866	16,630,866
Administrative expenses	1,151,736	292,732	1,444,468
Total deductions	<u>91,261,412</u>	<u>108,041,057</u>	<u>199,302,469</u>
Change in net position	171,307,769	80,567,493	251,875,262
Net position - beginning	<u>1,415,147,443</u>	<u>304,788,014</u>	<u>1,719,935,457</u>
Net position - ending	<u>\$ 1,586,455,212</u>	<u>\$ 385,355,507</u>	<u>\$ 1,971,810,719</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash and investments	\$ 16,709,779	\$ 34,124,902	\$ 34,979,092	\$ 15,855,589
Accounts receivable	1,976,053	2,295,475	1,976,053	2,295,475
Inventories	<u>134,501</u>	<u>151,382</u>	<u>134,501</u>	<u>151,382</u>
Total assets	\$ <u>18,820,333</u>	\$ <u>36,571,759</u>	\$ <u>37,089,646</u>	\$ <u>18,302,446</u>
Liabilities				
Accounts payable	\$ 1,591,124	\$ 1,730,235	\$ 1,591,124	\$ 1,730,235
Due to student groups	<u>17,229,209</u>	<u>34,841,524</u>	<u>35,498,522</u>	<u>16,572,211</u>
Total liabilities	\$ <u>18,820,333</u>	\$ <u>36,571,759</u>	\$ <u>37,089,646</u>	\$ <u>18,302,446</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how the Board's financial performance and well-being have changed over time.	115-123
Revenue Capacity Since Board revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax. Montgomery County levies property taxes and the Board has no authority to collect taxes.	124-130
Debt Capacity Since Board construction funding is primarily provided by Montgomery County, these schedules of the county's debt capacity assist the reader in assessing the affordability of Montgomery County's current levels of outstanding debt and Montgomery County's ability to issue additional debt in the future. The Board has no authority to issue bonds. The debt is issued by the Montgomery County.	131-135
Demographic and Economic Information Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which the Board's financial activities take place.	136-137
Operating Information These schedules contain select operating indicators to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.	139-141

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities:					
Net Investment in capital assets	\$ 1,765,406,793	\$ 1,901,060,879	\$ 1,972,419,863	\$ 2,073,974,398	\$ 2,234,805,426
Restricted for Instructional TV, Expendable					
Unrestricted	<u>(151,573,901)</u>	<u>(202,703,251)</u>	<u>(303,827,808)</u>	<u>(367,057,361)</u>	<u>(446,600,594)</u>
Total governmental activities net position	<u>\$ 1,613,832,892</u>	<u>\$ 1,698,357,628</u>	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>	<u>\$ 1,788,204,832</u>
Business-type activities:					
Net Investment in capital assets	\$ 5,019,355	\$ 4,231,936	\$ 3,951,552	\$ 3,759,753	\$ 3,570,524
Unrestricted	<u>(5,207,535)</u>	<u>(6,415,787)</u>	<u>(7,848,406)</u>	<u>(7,483,923)</u>	<u>(6,792,149)</u>
Total business-type activities net position	<u>\$ (188,180)</u>	<u>\$ (2,183,851)</u>	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>	<u>\$ (3,221,625)</u>
Primary government:					
Net Investment in capital assets	\$ 1,770,426,148	\$ 1,905,292,815	\$ 1,976,371,415	\$ 2,077,734,151	\$ 2,238,375,950
Restricted for Instructional TV, Expendable					
Restricted	<u>(156,781,436)</u>	<u>(209,119,038)</u>	<u>(311,676,214)</u>	<u>(374,541,284)</u>	<u>(453,392,743)</u>
Total primary government net position	<u>\$ 1,613,644,712</u>	<u>\$ 1,696,173,777</u>	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>	<u>\$ 1,784,983,207</u>
<hr/>					
	2013	2014	2015	2016	2017
Governmental Activities:					
Net Investment in capital assets	\$ 2,377,418,879	\$ 2,467,557,443	\$ 2,545,451,592	\$ 2,639,420,067	\$ 2,749,974,181
Restricted for Instructional TV, Expendable					280,688
Unrestricted	<u>(487,587,959)</u>	<u>(574,669,171)</u>	<u>(961,916,071)</u>	<u>(999,244,078)</u>	<u>(1,024,990,225)</u>
Total governmental activities net position	<u>\$ 1,889,830,920</u>	<u>\$ 1,892,888,272</u>	<u>\$ 1,583,535,521</u>	<u>\$ 1,640,175,989</u>	<u>\$ 1,725,264,644</u>
Business-type activities:					
Net Investment in capital assets	\$ 3,105,386	\$ 4,936,206	\$ 5,195,791	\$ 4,439,974	\$ 5,476,647
Unrestricted	<u>(7,068,728)</u>	<u>(7,848,538)</u>	<u>(7,337,109)</u>	<u>(5,288,323)</u>	<u>(1,101,387)</u>
Total business-type activities net position	<u>\$ (3,963,342)</u>	<u>\$ (2,912,332)</u>	<u>\$ (2,141,318)</u>	<u>\$ (848,349)</u>	<u>\$ 4,375,260</u>
Primary government:					
Net Investment in capital assets	\$ 2,380,524,265	\$ 2,472,493,649	\$ 2,550,647,383	\$ 2,643,860,041	\$ 2,755,450,828
Restricted for Instructional TV, Expendable *					280,688
Unrestricted	<u>(494,656,687)</u>	<u>(582,517,709)</u>	<u>(969,253,180)</u>	<u>(1,004,532,401)</u>	<u>(1,026,091,612)</u>
Total primary government net position	<u>\$ 1,885,867,578</u>	<u>\$ 1,889,975,940</u>	<u>\$ 1,581,394,203</u>	<u>\$ 1,639,327,640</u>	<u>\$ 1,729,639,904</u>

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

* Beginning in fiscal year 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			
	2008	2009	2010	2011
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,300,214,158	\$ 1,344,807,372	\$ 1,382,022,729	\$ 1,395,636,699
Special education	337,981,003	357,740,728	382,151,880	381,185,135
School administration	183,915,725	192,005,481	195,915,953	198,448,243
Student personnel services	15,923,429	16,709,007	16,590,455	15,726,065
Health services	39,372	31,477	40,091	17,919
Total instruction	<u>1,838,073,687</u>	<u>1,911,294,065</u>	<u>1,976,721,108</u>	<u>1,991,014,061</u>
Support services:				
Student transportation	117,962,721	122,633,059	125,139,197	126,428,398
Operation of plant	144,731,021	145,189,882	153,349,143	149,740,270
Maintenance of plant	56,469,713	57,587,517	59,180,621	60,799,687
Administration	59,171,446	63,094,864	60,891,077	58,701,766
Community services	2,470,942	2,168,062	2,291,223	2,129,034
Interest on capital leases	1,970,020	2,040,350	1,750,321	1,197,169
Total support services	<u>382,775,863</u>	<u>392,713,734</u>	<u>402,601,582</u>	<u>398,996,324</u>
Total governmental activities expenses	<u>2,220,849,550</u>	<u>2,304,007,799</u>	<u>2,379,322,690</u>	<u>2,390,010,385</u>
Business-type activities				
Food services	46,125,487	46,457,265	45,687,584	48,218,118
Real estate management	2,290,554	2,489,426	2,591,862	3,055,284
Field trips	1,792,660	1,772,511	1,697,423	1,751,109
Entrepreneurial activities	1,619,087	1,444,433	2,001,442	2,031,272
Total business-type activities expenses	<u>51,827,788</u>	<u>52,163,635</u>	<u>51,978,311</u>	<u>55,055,783</u>
Total primary government expenses	<u>\$ 2,272,677,338</u>	<u>\$ 2,356,171,434</u>	<u>\$ 2,431,301,001</u>	<u>\$ 2,445,066,168</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 5,332,403	\$ 5,033,518	\$ 4,616,997	\$ 4,111,198
Operating grants and contributions	84,349,531	77,829,710	126,099,052	112,581,279
Capital grants and contributions	48,116,266	48,858,868	44,257,276	54,258,286
Total governmental activities program revenues	<u>137,798,200</u>	<u>131,722,096</u>	<u>174,973,325</u>	<u>170,950,763</u>
Business-type activities				
Charges for services:				
Food services	22,219,798	22,191,730	18,621,337	18,577,749
Real estate management	2,765,022	2,397,720	2,667,604	2,812,240
Field trips	1,722,208	1,578,741	1,543,871	1,671,121
Entrepreneurial activities	1,866,786	1,872,573	1,849,158	3,633,389
Operating grants and contributions	19,955,950	21,564,749	24,871,047	27,800,835
Capital grants and contributions	927,082	405,452	641,790	696,950
Total business-type activities program revenues	<u>49,456,846</u>	<u>50,010,965</u>	<u>50,194,807</u>	<u>55,192,284</u>
Total primary government program revenues	<u>\$ 187,255,046</u>	<u>\$ 181,733,061</u>	<u>\$ 225,168,132</u>	<u>\$ 226,143,047</u>
Net (expense)/revenue				
Governmental activities	(2,083,051,350)	(2,172,285,703)	(2,204,349,365)	(2,219,059,622)
Business-type activities	<u>(2,370,942)</u>	<u>(2,152,670)</u>	<u>(1,783,504)</u>	<u>136,501</u>
	<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>	<u>(2,218,923,121)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,631,686,296	\$ 1,656,384,034	\$ 1,550,665,251	\$ 1,553,166,556
State of Maryland	510,142,429	597,009,068	616,478,426	668,581,752
Federal government	4,015,914	2,728,591	6,454,228	35,268,390
Investment Earnings	1,378,734	684,245	985,888	367,906
Transfers	21,428	4,501		
Total government activities	<u>2,147,244,801</u>	<u>2,256,810,439</u>	<u>2,174,583,793</u>	<u>2,257,384,604</u>
Business-type activities				
Investment Earnings	617,038	161,500	70,501	36,183
Transfers	<u>(21,428)</u>	<u>(4,501)</u>		
Total business-type activities	<u>595,610</u>	<u>156,999</u>	<u>70,501</u>	<u>36,183</u>
Total primary government	<u>\$ 2,147,840,411</u>	<u>\$ 2,256,967,438</u>	<u>\$ 2,174,654,294</u>	<u>\$ 2,257,420,787</u>
Change in Net Position				
Governmental activities	\$ 64,193,451	\$ 84,524,736	\$ (29,765,572)	\$ 38,324,982
Business-type activities	<u>(1,775,332)</u>	<u>(1,995,671)</u>	<u>(1,713,003)</u>	<u>172,684</u>
Total primary government	<u>\$ 62,418,119</u>	<u>\$ 82,529,065</u>	<u>\$ (31,478,575)</u>	<u>\$ 38,497,666</u>

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

	2012	2013	2014	2015	2016	2017
\$	1,401,069,607	\$ 1,425,776,788	\$ 1,510,082,837	\$ 1,507,192,601	\$ 1,509,093,578	\$ 1,633,033,361
	392,862,396	398,480,390	436,204,642	433,278,196	456,783,996	468,463,510
	202,692,468	204,795,867	210,172,216	203,472,513	207,845,076	217,940,076
	16,251,838	15,992,374	16,496,795	16,623,187	17,050,375	17,126,556
	17,911	20,074	17,336	1,594	836	1,577
	<u>2,012,894,220</u>	<u>2,045,065,493</u>	<u>2,172,973,826</u>	<u>2,160,568,091</u>	<u>2,190,773,861</u>	<u>2,336,565,080</u>
	129,115,379	129,890,569	136,415,463	134,999,834	138,795,597	140,687,102
	147,289,980	150,099,667	158,947,644	169,601,304	169,976,798	170,791,707
	64,129,559	69,624,065	76,505,617	69,525,061	69,797,436	71,483,269
	57,291,531	58,481,042	59,544,537	64,351,553	60,021,749	64,961,620
	2,090,179	2,548,923	3,103,601	3,168,196	3,095,853	3,200,420
	897,345	801,273	745,756	784,439	1,086,674	1,028,146
	<u>400,813,973</u>	<u>411,445,539</u>	<u>435,262,618</u>	<u>442,430,387</u>	<u>442,774,107</u>	<u>452,152,264</u>
	<u>2,413,708,193</u>	<u>2,456,511,032</u>	<u>2,608,236,444</u>	<u>2,602,998,478</u>	<u>2,633,547,968</u>	<u>2,788,717,344</u>
	49,720,564	51,249,507	52,926,067	54,353,613	56,469,606	58,125,752
	3,220,047	3,039,558	2,845,571	3,385,485	3,251,364	3,226,308
	1,770,547	1,664,949	1,803,944	1,895,960	1,991,456	2,006,344
	1,983,788	2,604,177	2,356,182	2,466,024	2,504,873	3,875,067
	<u>56,694,946</u>	<u>58,558,191</u>	<u>59,931,764</u>	<u>62,101,082</u>	<u>64,217,299</u>	<u>67,233,471</u>
\$	<u>2,470,403,139</u>	<u>2,515,069,223</u>	<u>2,668,168,208</u>	<u>2,665,099,560</u>	<u>2,697,765,267</u>	<u>2,855,950,815</u>
\$	3,820,871	\$ 3,871,684	\$ 3,848,232	\$ 3,804,324	\$ 4,001,803	\$ 4,146,827
	83,474,771	77,994,243	79,196,930	80,147,449	78,289,593	76,400,678
	59,387,969	67,644,476	59,687,504	78,396,597	54,561,101	72,592,518
	<u>146,683,611</u>	<u>149,510,403</u>	<u>142,732,666</u>	<u>162,348,370</u>	<u>136,852,497</u>	<u>153,140,023</u>
	19,252,693	17,907,925	16,631,652	16,303,287	16,119,711	17,148,111
	2,892,122	3,026,997	2,744,862	3,277,410	3,536,447	3,194,139
	1,778,378	1,735,962	1,786,478	2,003,127	2,184,988	2,053,978
	2,186,618	2,235,250	1,974,638	2,205,227	2,226,617	4,040,576
	30,590,480	32,844,833	35,934,919	38,684,559	41,326,131	44,102,198
	464,308	30,898	1,877,408	381,764	104,574	1,909,310
	<u>57,164,599</u>	<u>57,781,865</u>	<u>60,949,957</u>	<u>62,855,374</u>	<u>65,498,468</u>	<u>72,448,312</u>
\$	<u>203,848,210</u>	<u>207,292,268</u>	<u>203,682,623</u>	<u>225,203,744</u>	<u>202,350,965</u>	<u>225,588,335</u>
	(2,267,024,582)	(2,307,000,629)	(2,465,503,778)	(2,440,650,108)	(2,496,695,471)	(2,635,577,321)
	469,653	(776,326)	1,018,193	754,292	1,281,169	5,214,841
	<u>(2,266,554,929)</u>	<u>(2,307,776,955)</u>	<u>(2,464,485,585)</u>	<u>(2,439,895,816)</u>	<u>(2,495,414,302)</u>	<u>(2,630,362,480)</u>
\$	1,581,675,500	\$ 1,633,828,866	\$ 1,672,780,820	\$ 1,672,029,373	\$ 1,699,998,943	\$ 1,829,282,694
	761,695,928	771,174,249	792,450,552	810,716,731	829,182,141	871,366,816
	4,414,871	2,758,250	1,930,243	7,387,393	15,914,171	19,672,201
	526,078	865,352	1,399,515	460,704	8,240,684	344,265
	-	-	-	-	-	-
	<u>2,348,312,377</u>	<u>2,408,626,717</u>	<u>2,468,561,130</u>	<u>2,490,594,201</u>	<u>2,553,335,939</u>	<u>2,720,665,976</u>
	32,892	34,609	32,817	16,722	11,800	8,768
	-	-	-	-	-	-
	<u>32,892</u>	<u>34,609</u>	<u>32,817</u>	<u>16,722</u>	<u>11,800</u>	<u>8,768</u>
\$	<u>2,348,345,269</u>	<u>2,408,661,326</u>	<u>2,468,593,947</u>	<u>2,490,610,923</u>	<u>2,553,347,739</u>	<u>2,720,674,744</u>
\$	81,287,795	\$ 101,626,088	\$ 3,057,352	\$ 49,944,093	\$ 56,640,468	\$ 85,088,655
	502,545	(741,717)	1,051,010	771,014	1,292,969	5,223,609
	<u>81,790,340</u>	<u>100,884,371</u>	<u>4,108,362</u>	<u>50,715,107</u>	<u>57,933,437</u>	<u>90,312,264</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund:					
Nonspendable	\$ 6,870,750	\$ 6,289,918	\$ 7,221,461	\$ 6,567,714	\$ 7,310,053
Assigned	5,701,090	6,183,758	6,104,012	6,370,994	7,069,165
Unassigned	16,389,504	44,346,530	206,026	16,999,947	28,660,135
Total general fund	\$ 28,961,344	\$ 56,820,206	\$ 13,531,499	\$ 29,938,655	\$ 43,039,353
All other governmental funds:					
Restricted - Special revenue fund	\$ 136,374	\$ 245,077	\$ 265,873	\$ 279,707	\$ 287,268
Committed - Capital projects fund	(13,796,508)	(13,858,371)			
Total all other governmental funds	\$ (13,660,134)	\$ (13,613,294)	\$ 265,873	\$ 279,707	\$ 287,268
	2013	2014	2015	2016	2017
General Fund:					
Nonspendable	\$ 7,745,654	\$ 7,952,232	\$ 7,456,908	\$ 7,781,042	\$ 7,850,918
Assigned	5,478,166	2,510,534	2,758,823	3,615,674	8,262,452
Unassigned	36,068,895	25,709,467	24,048,758	21,926,344	12,217,790
Total general fund	\$ 49,292,715	\$ 36,172,233	\$ 34,264,489	\$ 33,323,060	\$ 28,331,160
All other governmental funds:					
Restricted - Special revenue fund	\$ 365,128	\$ 304,595	\$ 265,417	\$ 265,286	\$ 280,688
Committed - Capital projects fund					
Total all other governmental funds	\$ 365,128	\$ 304,595	\$ 265,417	\$ 265,286	\$ 280,688

Information for fiscal years 2008 to 2010 have been restated to conform to the new fund balance classifications established by GASB Statement No. 54 *Fund Balance Reporting and Government type Definitions*.

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

	2008	2009	2010	2011
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,633,111,352	\$ 1,704,483,481	\$ 1,593,469,961	\$ 1,598,298,058
State of Maryland	561,788,026	602,257,843	619,385,100	672,165,098
Federal Government	81,098,923	73,709,427	127,230,073	146,479,166
Other	9,026,435	8,081,214	8,107,202	6,936,945
Total Revenue	<u>2,285,024,736</u>	<u>2,388,531,965</u>	<u>2,348,192,336</u>	<u>2,423,879,267</u>
Expenditures				
Current:				
Administration	\$ 40,223,462	\$ 41,116,832	\$ 39,543,392	\$ 36,954,635
Mid-level administration	128,825,484	133,558,653	133,865,561	135,139,216
Instructional salaries and wages	801,621,226	835,121,087	851,338,027	824,315,364
Instructional textbooks and supplies	30,676,046	27,836,308	26,674,306	21,939,573
Other instructional costs	17,748,901	13,416,424	11,456,405	11,571,972
Special education	245,993,338	259,846,857	273,368,914	271,395,047
Student personnel services	11,051,597	11,544,552	11,289,494	10,680,737
Health services	32,162	31,125	38,695	16,267
Student transportation	92,544,044	87,139,938	87,252,913	94,135,828
Operation of plant	112,699,200	113,847,318	115,639,206	113,952,839
Maintenance of plant	31,498,027	34,797,983	34,612,073	33,013,662
Fixed charges	531,185,474	557,052,644	596,364,990	636,600,510
Community services	1,902,912	1,662,113	1,756,954	1,608,047
Debt service:				
Capital lease principal	23,510,181	24,465,455	20,178,442	19,024,733
Capital lease interest	1,970,020	2,040,350	1,750,321	1,197,169
Capital outlay	234,409,417	239,036,321	178,597,204	213,558,453
Total expenditures	<u>2,305,891,491</u>	<u>2,382,513,960</u>	<u>2,383,726,897</u>	<u>2,425,104,052</u>
Excess (deficiency) of Revenues over expenditures	(20,866,755)	6,018,005	(35,534,561)	(1,224,785)
Other financing sources				
Capital lease financing	\$ 27,530,529	\$ 21,883,195	\$ 6,125,021	\$ 17,645,775
Technology loans from Montgomery County				
Transfers in	21,428	4,501		
Transfers out				
Total other financing sources	<u>27,551,957</u>	<u>21,887,696</u>	<u>6,125,021</u>	<u>17,645,775</u>
Net change in fund balances	<u>\$ 6,685,202</u>	<u>\$ 27,905,701</u>	<u>\$ (29,409,540)</u>	<u>\$ 16,420,990</u>
Debt service as a percentage of noncapital expenditures	1.2%	1.3%	1.0%	0.9%

2012	2013	2014	2015	2016	2017
\$ 1,634,325,263	\$ 1,697,311,813	\$ 1,722,421,710	\$ 1,746,734,700	\$ 1,751,827,765	\$ 1,899,983,488
765,912,232	776,187,259	802,146,773	818,487,290	832,480,205	873,853,069
88,309,979	77,668,057	79,111,667	81,162,630	91,387,696	93,191,282
6,448,515	6,501,793	7,613,644	6,557,953	7,979,169	6,778,158
<u>2,494,995,989</u>	<u>2,557,668,922</u>	<u>2,611,293,794</u>	<u>2,652,942,573</u>	<u>2,683,674,835</u>	<u>2,873,805,997</u>
\$ 35,931,627	\$ 38,361,432	\$ 37,180,315	\$ 43,121,059	\$ 38,137,108	\$ 43,005,135
132,955,672	135,537,267	136,161,260	136,742,143	138,754,954	145,298,770
806,181,103	831,267,986	862,096,690	887,923,350	903,658,977	957,765,591
24,407,914	24,850,483	23,239,502	23,110,188	20,622,147	26,389,897
13,588,680	13,409,988	13,676,632	10,131,255	9,246,817	11,324,064
270,775,788	275,623,730	291,929,538	298,528,876	313,795,044	321,502,025
10,649,399	10,572,269	10,682,855	11,185,874	11,392,324	11,396,245
16,908	18,994	16,388	1,594	836	1,577
95,559,434	95,911,020	101,036,031	102,233,482	103,885,365	105,176,130
111,067,453	112,560,889	118,604,859	127,576,145	126,557,151	130,631,994
31,575,617	33,286,341	33,947,985	31,557,851	35,772,435	34,661,021
666,817,831	705,727,831	758,138,841	759,060,741	750,150,331	819,971,483
1,519,629	1,888,449	2,281,607	2,436,418	2,291,995	2,358,835
18,844,888	19,394,211	21,691,477	28,238,622	28,223,640	30,098,676
897,345	801,273	745,756	784,439	1,086,674	1,028,145
286,212,343	280,935,624	237,654,916	234,711,185	223,192,574	269,116,996
<u>2,507,001,631</u>	<u>2,580,147,787</u>	<u>2,649,084,652</u>	<u>2,697,343,222</u>	<u>2,706,768,372</u>	<u>2,909,726,584</u>
(12,005,642)	(22,478,865)	(37,790,858)	(44,400,649)	(23,093,537)	(35,920,587)
\$ 25,113,901	\$ 28,810,087	\$ 24,609,843	\$ 42,453,727	\$ 22,151,977	\$ 30,944,089
<u>25,113,901</u>	<u>28,810,087</u>	<u>24,609,843</u>	<u>42,453,727</u>	<u>22,151,977</u>	<u>30,944,089</u>
\$ 13,108,259	\$ 6,331,222	\$ (13,181,015)	\$ (1,946,922)	\$ (941,560)	\$ (4,976,498)
0.9%	0.9%	0.9%	1.2%	1.2%	1.2%

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN POSITION
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2016 *

Operating revenues:	
Contributions by other agencies	\$ 47,663,093
Contributions by the Board of Education	17,096,060
Total operating revenues	<u>64,759,153</u>
Operating expenses:	
Self-insurance losses, net of recoveries	49,096,587
Other costs at risk	8,835,119
Commercial insurance	4,504,152
Other operating expenses	3,876,840
Total operating expenses	<u>66,312,698</u>
Operating gain(loss)	<u>(1,553,545)</u>
Nonoperating revenues :	
Interest on investments	463,826
Other revenue	861,147
Total nonoperating revenues	<u>1,324,973</u>
Change in net position	(228,572)
Total net position - beginning of year, as restated	<u>12,900,589</u>
Total net position (deficit) - end of year	<u>\$ 12,672,017</u>

* Date of the most current available information.

Source: Montgomery County FY 2016 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)
2008	\$ 49,420,506	\$ 339,046	\$ 49,759,552	0.07%	53
2009	46,838,246	151,621	46,989,867	0.07%	49
2010	32,784,825	287,343	33,072,168	0.05%	34
2011	31,405,867	504,223	31,910,090	0.04%	32
2012	37,674,880	596,314	38,271,194	0.05%	38
2013	47,090,756	713,086	47,803,842	0.06%	47
2014	50,009,122	792,703	50,801,825	0.06%	49
2015	64,224,227	973,638	65,197,865	0.08%	63
2016	58,152,564	655,347	58,807,911	0.07%	56
2017	58,997,977	651,328	59,649,305	0.07%	57

Notes:

Details regarding Board' outstanding debt can be found in notes 8 and 9 to the financial statements.

(1) Personal income and population used in calculations are found in the Montgomery County, Maryland table of Demographic Statistics-Last Ten Fiscal Years. Montgomery County FY 2017 table 23

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

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	1,137,590,824	(3,591,560)	1,133,999,264	1,132,548,519	99.56	(2,822,843)	1,129,725,676	99.62
2009	1,282,437,423	1,298,891	1,283,736,314	1,278,337,019	99.68	712,733	1,279,049,752	99.63
2010	1,344,626,102	(5,523,139)	1,339,102,963	1,343,140,289	99.89	(17,157,951)	1,325,982,338	99.02
2011	1,350,416,973	(2,455,034)	1,347,961,939	1,349,698,631	99.95	(3,993,961)	1,345,704,670	99.83
2012	1,365,605,932	(123,524)	1,365,482,408	1,363,217,734	99.83	944,384	1,364,162,118	99.90
2013	1,390,542,228	(1,328,417)	1,389,213,811	1,384,563,178	99.57	835,254	1,385,398,432	99.73
2014	1,437,898,506	(638,929)	1,437,259,577	1,434,787,650	99.78	(325,869)	1,434,461,781	99.81
2015	1,447,816,313	1,979,394	1,449,795,707	1,442,602,468	99.64	3,438,790	1,446,041,258	99.74
2016	1,521,343,303	(4,199,631)	1,517,143,672	1,518,519,304	99.81	(9,377,235)	1,509,142,069	99.47
2017	1,663,208,936	-	1,663,208,936	1,661,121,521	99.87	-	1,661,121,521	99.87

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

Table Reference Source: Montgomery County FY 2017 table 11

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property							Total Direct Tax Rate (3)
	Residential (1)		Commercial/Other		Total			
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902	
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,473	164,038,891,569	0.902	
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904	
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	0.904	
2012	129,513,818,139	139,412,075,499	32,683,331,619	35,181,196,575	162,197,149,758	174,593,272,074	0.947	
2013	124,783,384,563	134,320,112,554	33,489,446,285	36,048,919,575	158,272,830,848	170,369,032,129	0.990	
2014	125,035,897,087	136,502,071,055	34,855,968,247	38,052,367,082	159,891,865,334	174,554,438,137	1.008	
2015	127,929,975,330	138,452,354,253	35,726,782,876	38,665,349,433	163,656,758,206	177,117,703,686	0.995	
2016	130,228,674,548	134,812,292,493	39,947,771,504	41,353,800,729	170,176,446,052	176,166,093,222	0.986	
2017	136,227,683,441	145,542,396,839	41,267,669,577	44,089,390,573	177,495,353,018	189,631,787,412	1.025	

Fiscal Year	Personal Property (2)					Total Direct Tax Rate (3)	Real and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value
	Business		Public Utility		Total		Assessed Value	Estimated Actual Value	
	Individuals	Corporations	Operating Property	Domestic Shares					
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,493	167,959,062,589	96.48
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2.247	171,646,984,481	193,664,780,786	88.63
2012	44,967,690	2,206,151,910	1,063,567,900	404,258,210	3,718,945,710	2.357	165,916,095,468	178,312,217,784	93.05
2013	46,638,380	2,092,070,220	1,081,466,940	384,303,210	3,604,478,750	2.463	161,877,309,598	173,973,510,879	93.05
2014	42,416,630	2,172,248,760	1,120,973,968	373,688,150	3,709,327,508	2.509	163,601,192,842	178,263,765,645	91.77
2015	42,008,150	2,075,584,320	1,181,901,740	355,639,000	3,655,133,210	2.473	167,311,891,416	180,772,836,896	92.55
2016	47,898,060	2,234,518,270	1,258,731,007	343,201,680	3,884,349,017	2.450	174,060,795,069	180,050,442,239	96.67
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	193,683,159,880	93.73

NOTES:

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

(1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.

(2) For personal property, the assessed value and estimated actual value are the same.

(3) See Table 9-a for real and personal property direct tax rates.

Source: State of Maryland, Department of Assessments and Taxation.

Table Reference Source: Montgomery County FY 2017 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)			
	County	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District	Prorata Tax Rate	
Real Property:											
2008	\$.6270	\$.1260	\$.0580	\$.0010	\$.8120	\$.0240	\$.0030	\$.0190	\$.0580	\$.0900	\$.9020
2009	.6610	.1160	.0400	.0010	.8180	.0240	.0030	.0190	.0530	.0840	.9020
2010	.6830	.1050	.0370	.0010	.8260	.0190	.0030	.0180	.0500	.0780	.9040
2011	.6990	.0970	.0370	.0010	.8340	.0180	.0030	.0150	.0450	.0700	.9040
2012	.7130	.1210	.0380	.0010	.8730	.0180	.0030	.0170	.0480	.0740	.9470
2013	.7240	.1340	.0480	.0010	.9070	.0210	.0030	.0180	.0540	.0830	.9900
2014	.7590	.1250	.0420	.0010	.9270	.0200	.0030	.0180	.0530	.0810	1.0080
2015	.7320	.1360	.0400	.0010	.9090	.0230	.0030	.0170	.0560	.0857	.9947
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	.9858
2017	.7734	.1140	.0520	.0010	.9404	.0230	.0030	.0170	.0548	.0845	1.0249
Personal Property:											
2008	\$ 1.5670	\$.3150	\$.1450	\$.0030	\$ 2.0300	\$.0600	\$.0070	\$.0470	\$.1450	\$.2110	\$ 2.2410
2009	1.6520	.2900	.1000	.0030	2.0450	.0550	.0070	.0470	.1320	.1960	2.2410
2010	1.7070	.2620	.0920	.0030	2.0640	.0470	.0070	.0450	.1250	.1830	2.2470
2011	1.7470	.2420	.0920	.0030	2.0840	.0450	.0070	.0380	.1120	.1630	2.2470
2012	1.7830	.3030	.0950	.0030	2.1840	.0450	.0080	.0430	.1200	.1730	2.3570
2013	1.8100	.3350	.1200	.0030	2.2680	.0530	.0080	.0450	.1350	.1950	2.4630
2014	1.8980	.3130	.1050	.0030	2.3190	.0500	.0080	.0450	.1330	.1900	2.5090
2015	1.8300	.3400	.1000	.0030	2.2730	.0580	.0080	.0430	.1400	.2003	2.4733
2016	1.8075	.2900	.1500	.0025	2.2500	.0575	.0075	.0450	.1380	.1998	2.4498
2017	1.9335	.2850	.1300	.0025	2.3510	.0575	.0075	.0425	.1370	.1959	2.5469

NOTES:

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

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

Table Reference Source: Montgomery County FY 2017 table 9-a

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

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts		Development Districts		
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
Real Property:												
2008	\$.2800	\$.2800	\$.2400	\$.2400	\$.0240	\$.0160	\$.0300	\$.0800	\$.0800	\$.0710	\$.1560	\$.0000
2009	.2800	.2800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0630	.1440	.0000
2010	.2800	.1800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0860	.1370	.0000
2011	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0790	.1630	.0000
2012	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0770	.0800	.0990	.1650	.1070
2013	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0100	.0990	.1730	.1120
2014	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.1050	.1830	.1130
2015	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.0810	.1820	.1120
2016	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0660	.1510	.1111
2017	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0410	.1530	.1150
Personal Property:												
2008	\$.7000	\$.7000	\$.6000	\$.6000	\$.0600	\$.0400	\$.0750	\$.2000	\$.2000	\$.0000	\$.0000	\$.0000
2009	.7000	.7000	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2010	.7000	.4500	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2011	.7920	.2600	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2012	.7930	.2600	.6000	.6000	.0600	.0300	.0750	.1930	.2000	.0000	.0000	.0000
2013	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0250	.0000	.0000	.0000
2014	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2015	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2016	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2017	.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, (FY2012), was the first year that the property tax on commercial properties went into effect.

Table Reference Source: Montgomery County FY 2017 table 9-b

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

Fiscal Year	Cities			Towns				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
Real Property:								
2008	\$.2120	\$.3020	\$.6100	\$.0540	\$.1500	\$.0230	\$.1900	\$.1200
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1340
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
2016	.2620	.2920	.5850	.0514	.2000	.0000	.2100	.1400
2017	.2620	.2920	.5675	.0514	.2000	.0100	.2100	.1400
Personal Property:								
2008	\$.5300	\$.8050	\$ 1.5250	\$.2000	\$.4500	\$ 1.0000	\$ 1.0000	\$.8000
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2016	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2017	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
2008	\$.1390	\$.1400	\$.1800	\$.0400	\$.2020
2009	.1300	.1200	.1600	.0400	.1810
2010	.1220	.1100	.1500	.0400	.1810
2011	.1360	.1000	.1594	.0800	.2210
2012	.1360	.1100	.1594	.0800	.2210
2013	.1360	.1100	.1590	.0800	.3170
2014	.1360	.1000	.1672	.0800	.3000
2015	.1360	.0900	.1672	.0800	.3000
2016	.1360	.0900	.1700	.0800	.2860
2017	.1360	.0900	.1756	.1000	.2700
Personal Property:					
2008	\$.5000	\$.3500	\$.6000	\$.2200	\$.6000
2009	.5000	.3300	.6000	1.0000	.6000
2010	.5000	.3100	.6000	1.0000	.6000
2011	.5500	.3000	.6000	1.0000	.6000
2012	.5500	.3000	.6000	1.0000	.6000
2013	.5500	.3000	.6000	1.0000	.6000
2014	.5700	.3000	.6000	1.0000	.7000
2015	.6200	.3000	.6000	1.0000	.7000
2016	.6500	.3000	.6000	1.0000	.7000
2017	.7000	.3000	.6000	1.0000	.7000

NOTES:

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

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

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

Table Reference Source: Montgomery County FY2017 table 9-c

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

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2008	\$.0500	\$.0200	\$.0000	\$.0220	\$.1110	\$.0480	\$.0400	\$.0080	\$.0520	\$.0600
2009	.0500	.0200	.0000	.0220	.1030	.0480	.0400	.0080	.0520	.0400
2010	.0500	.0200	.0000	.0220	.0960	.0480	.0400	.0080	.0520	.0400
2011	.0500	.0200	.0000	.0220	.0900	.0480	.0400	.0400	.0520	.0400
2012	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0460	.0520	.0400
2013	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0470	.0520	.0400
2014	.0500	.0200	.0000	.0220	.1000	.0480	.0400	.0470	.0520	.0400
2015	.0500	.0200	.0000	.0220	.0850	.0480	.0400	.0472	.0520	.0400
2016	.0500	.0200	.0000	.0220	.0828	.0480	.0400	.0472	.0520	.0400
2017	.0400	.0200	.0000	.0220	.0807	.0480	.0400	.0472	.0520	.0400
Personal Property:										
2008	\$.1250	\$.0500	\$.0000	\$.0000	\$.6600	\$.1200	\$.0400	\$.5000	\$.1300	\$.1000
2009	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2010	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2011	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2012	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2013	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2014	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2015	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2016	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2017	.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 2017 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, 2017				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 914,226,121	\$ 15,487,201	\$ 898,738,920	0.50 %
Federal Realty Investment Trust	490,232,481	486,372,601	3,859,880	0.27
Wash Metro Area Transit Auth	390,620,933	390,620,933		0.22
Verizon - Maryland	339,716,240		339,716,240	0.19
Montgomery Mall LLC	338,261,500	338,261,500		0.19
Street Retail Inc.	334,461,733	334,461,733		0.18
Chevy Chase Land Co	323,940,900	323,940,900		0.18
WP Project Developer LLC	294,665,550	294,665,550		0.16
Washington Gas Light Co.	283,348,210		283,348,210	0.16
Wheaton Plaza Reg Shopping Center	282,862,634	281,606,504	1,256,130	0.16
Total	\$ 3,992,336,302	\$ 2,465,416,922	\$ 1,526,919,380	2.21 %
Total Assessable Base	\$ 181,546,725,485			100.00 %

For the Fiscal Year Ended June 30, 2008				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 689,238,812	\$ 7,280,832	\$ 681,957,980	0.47 %
Verizon	677,976,920	32,000,000	645,976,920	0.46
Montgomery Mall	388,230,580	387,662,500	568,080	0.27
7501 Wisconsin Avenue LLC	220,262,500	220,262,500		0.15
Washington Gas Light Co.	219,256,160		219,256,160	0.15
Federal Realty Investment Trust	217,618,610	216,118,430	1,500,180	0.15
Mirant Mid-Atlantic LLC	199,580,310	78,291,600	121,288,710	0.14
Camalier, Anne D. et al, Trustee	196,269,158	196,269,158		0.13
Democracy Associates	184,676,600	184,676,600		0.13
Wheaton Plaza Regional Shopping Center	180,823,356	179,792,566	1,030,790	0.12
Total	\$ 3,173,933,006	\$ 1,502,354,186	\$ 1,671,578,820	2.17 %
Total Assessable Base	\$ 146,276,982,963			100.00 %

Table Reference Source: Montgomery County FY 2017 table 10

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

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations				
2008	\$ 1,366,758,054	\$ 100,000,000	\$ -	\$ -	\$ 1,466,758,054	0.98 %	\$ 1,556
2009	1,496,561,371	100,000,000			1,596,561,371	0.95	1,665
2010	1,437,839,285	100,000,000	232,000,000		1,769,839,285	0.99	1,813
2011	1,517,280,000	100,000,000	338,320,000		1,955,600,000	1.01	1,969
2012	1,658,970,000	100,000,000	338,320,000		2,097,290,000	1.18	2,084
2013	1,930,155,391	100,000,000	339,827,520		2,369,982,911	1.36	2,325
2014	2,085,028,317	100,000,000	339,671,879		2,524,700,196	1.42	2,450
2015	2,465,315,677	100,000,000	339,516,238		2,904,831,915	1.61	2,793
2016	2,582,259,186	100,000,000	323,901,913		3,006,161,099	1.67	2,870
2017	2,722,471,690	90,000,000	308,297,064		3,120,768,754	1.61	2,958

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 2017 table 8 for estimated actual value of taxable property data.
- (3) See Montgomery County FY 2017 table 23 for population data used in calculating the Per Capita.

Table Reference Source: Montgomery County FY 2017 table 17

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

	2008	2009	2010	2011
Assessed Value				
Real property (1,3)	\$ 142,306,435,593	\$ 158,133,491,473	\$ 167,096,843,537	\$ 167,790,792,529
Personal property (2)	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952
Total Assessed Value	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,493</u>	<u>\$ 171,220,840,149</u>	<u>\$ 171,646,984,481</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (2)	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552
For personal property at 15%	595,582,106	588,025,653	618,599,492	578,428,793
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>9,133,968,242</u>	<u>10,076,035,141</u>	<u>10,644,410,104</u>	<u>10,645,876,345</u>
Debt Applicable to Limit:				
General obligation bonds	1,366,758,054	1,496,561,371	1,437,839,285	1,517,280,000
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation			232,000,000	338,320,000
Bond anticipation notes	300,000,000	300,000,000	425,000,000	500,000,000
Total Debt Applicable to Limit	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>
Legal Debt Margin	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>	<u>\$ 8,449,570,819</u>	<u>\$ 8,190,276,345</u>
Legal Debt Margin as a Percentage of Debt Limit	81%	81%	79%	77%

NOTES:

(1) See (1) on Montgomery County FY 2017 CAFR Table 8.

(2) See (3) on Montgomery County FY 2017 CAFR Table 8.

(3) As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P(i)), of the Annotated Code of Maryland. Prior to June 1, 2001, the legal debt limit was 15 percent of the assessable base (real and personal property) of the County. During that time, the assessable base for real property was 40 percent of the full assessed value. Effective June 1, 2001, real property in the State of Maryland began being assessed at 100 percent of full assessed value instead of the previous 40 percent assessment method. Also effective June 1, 2001, the section of the Code referred to above was amended in conjunction with the real property assessment change. Under the amendment, the legal debt margin is a total of 6 percent of the assessable base (presented at 100 percent) of real property of the County and 15 percent of the County's assessable base of personal property and operating real property.

Table Reference Source: Montgomery County FY 2017 table 20

	2012	2013	2014	2015	2016	2017
\$	162,197,149,758	\$ 158,272,830,848	\$ 159,891,865,334	\$ 163,656,758,206	\$ 170,176,446,052	\$ 177,495,353,018
	3,718,945,710	3,604,478,750	3,709,327,508	3,655,133,210	3,884,349,017	4,051,372,468
	165,916,095,468	161,877,309,598	163,601,192,842	\$ 167,311,891,416	\$ 174,060,795,069	\$ 181,546,725,486
\$	9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763	\$ 10,649,721,181
	557,841,857	540,671,813	556,399,126	548,269,982	582,652,353	607,705,870
	10,289,670,842	10,037,041,664	10,149,911,046	10,367,675,474	10,793,239,116	11,257,427,051
	1,658,970,000	1,930,155,391	2,085,028,317	2,465,315,677	2,582,259,186	2,722,471,690
	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	90,000,000
	338,320,000	339,827,520	339,671,879	339,516,238	323,901,913	308,297,064
	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
	2,597,290,000	2,869,982,911	3,024,700,196	3,404,831,915	3,506,161,099	3,620,768,754
\$	7,692,380,842	\$ 7,167,058,753	\$ 7,125,210,850	\$ 6,962,843,559	\$ 7,287,078,017	\$ 7,636,658,297
	75%	71%	70%	67%	68%	68%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 271,400	100.00 %	\$ 271,400
Poolesville - bonds	1,799,078	100.00	1,799,078
Rockville:			
Bonds	127,410,000	100.00	127,410,000
Certificates or notes	3,417,223	100.00	3,417,223
Somerset - bonds	1,395,000	100.00	1,395,000
Takoma Park:			
Bonds	1,768,500	100.00	1,768,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	59,649,305	100.00	59,649,305
MCC - capital leases	84,858,548	100.00	84,858,548
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	115,166,181	46.98	54,105,000
Advance land acquisition bonds	1,020,000	100.00	1,020,000
Development Districts (2):			
Kingsview Village Center - bonds	923,480	100.00	923,480
West Germantown - bonds	10,740,000	100.00	<u>10,740,000</u>
Total Overlapping Debt			347,507,534
Montgomery County direct debt (5)			<u>3,988,081,972</u>
Total Direct and Overlapping Debt			<u>\$ 4,335,589,506</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 doesn't have authority to issue bonds

Table Reference Source: Montgomery County FY 2017 table 19

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2017*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2017
General bonded indebtedness:					
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	\$ 62,464,240	\$ 6,531,615
Consolidated Public Improvement	Variable	6/7/2006	2017-26	64,000,000	57,600,000
Consolidated Public Improvement	5.0	5/1/2007	2008-27	149,600,000	
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.0	3/15/2008	2009-29	127,000,000	18,338,800
Consolidated Public Improvement-General Obligation Refunding Bonds	2.00 - 5.0	11/3/2009	2011-20	78,095,307	39,804,446
Consolidated Public Improvement-General Obligation Bonds BAB's	3.75 - 5.5	11/3/2009	2015-29	130,000,000	112,668,534
Consolidated Public Improvement-General Obligation Bonds	2.00 - 5.0	7/26/2010	2011-22	80,500,000	40,250,002
Consolidated Public Improvement-General Obligation Bonds BAB's	4.75 - 5.4	7/26/2010	2023-30	18,600,000	18,600,000
Consolidated Public Improvement-General Obligation Bonds	2.00 - 5.0	8/11/2011	2012-31	118,500,000	53,325,000
Consolidated Public Improvement-General Obligation Refunding Bonds	2.00 - 5.0	8/11/2011	2012-22	106,469,440	69,894,720
Consolidated Public Improvement-General Obligation Bonds	2.50 - 5.00	10/24/2012	2013-32	150,000,000	120,000,000
Consolidated Public Improvement-General Obligation Refunding Bonds	2.50 - 5.0	10/24/2012	2013-16	2,896,640	
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.0	11/26/2013	2014-34	83,300,000	70,805,000
Consolidated Public Improvement-General Obligation Refunding Bonds	5.0	11/26/2013	2023-24	8,794,995	8,794,995
Consolidated Public Improvement-General Obligation Bonds	4.00 - 5.0	11/19/2014	2015-35	200,575,000	180,517,500
Consolidated Public Improvement-General Obligation Refunding Bonds	5.0	11/19/2014	2016-28	146,015,100	139,338,850
Consolidated Public Improvement-General Obligation Refunding Bonds	5.0	3/26/2015	2018-21	30,371,880	30,371,880
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.0	11/18/2015	2016-35	95,789,000	90,999,550
Consolidated Public Improvement-General Obligation Bonds	3.00 - 5.0	12/13/2016	2017-36	95,092,945	95,092,945
Total				\$ <u>1,748,064,547</u>	\$ <u>1,152,933,837</u>

Note:

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

Source: Montgomery County, Maryland Debt Service Program, Direct Debt, Issues Through June 30, 2017

MONTGOMERY COUNTY, MARYLAND
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2008	942,748	67,564,394	71,668	515,987	499,705	3.2	137,745
2009	959,013	66,147,761	68,975	522,421	494,565	5.3	137,763
2010	976,179	69,149,438	70,837	532,549	502,710	5.6	140,500
2011	993,068	73,818,085	74,333	536,832	508,549	5.3	143,309
2012	1,006,472	76,994,315	76,499	540,427	512,438	5.2	146,497
2013	1,019,164	74,017,970	72,626	542,660	515,689	5.0	149,018
2014	1,030,476	75,840,951	73,598	544,210	520,288	4.4	151,289
2015	1,040,116	79,946,266	76,863	548,499	527,034	3.9	153,852
2016	1,047,500	82,910,000	79,150	551,392	533,201	3.3	159,242
2017	1,055,000	86,730,000	82,209	554,029	536,300	3.2	161,909

NOTES:

- (1) Source: Data for 2008-2015 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2016 and 2017 are estimated by the Montgomery County Department of Finance from Round 8.4 Cooperative Estimates and pertain to population in households. Data for 2007-2015 were 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 2008-2015 were revised by BEA. Data for 2016 through 2017 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2012 - 2016. Data for 2017 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first five months of CY16 to the average of the first five months of CY17.
- (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 2012-2016 were revised by BLS. Data for 2017 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first five months of CY16 to the first five months of CY17.
- (6) The unemployment rates for 2012 through 2016 were revised by the BLS. Unemployment rate for 2017 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's Recommended FY18 Operating Budget, Office of Management and Budget, Montgomery County, page 5-16.

Table Reference Source: Montgomery County FY 2017 table 23

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

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees(1)	Rank	Percentage of Total County Employment(2,3)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	30,089	1	6.10 %	39,979	1	8.31 %
Montgomery County Public Schools	26,205	2	5.31	20,769	2	4.32
Montgomery County Government	11,014	3	2.23	9,059	4	1.88
U.S. Department of Defense	5,863	4	1.19	14,709	6	3.06
U.S. Department of Commerce	5,608	5	1.14	8,749	3	1.82
Adventist Healthcare	4,793	6	0.97	8,090	5	1.68
Marriott International, Inc. (Headquarters)	4,184	7	0.85	3,000	9	0.62
Holy Cross Hospital of Silver Spring	3,942	8	0.80	*		
Red Coats, Inc.	3,826	9	0.78	*		
Montgomery College	3,488	10	0.71	*		
Lockheed Martin Corporation	*			7,518	8	1.56
Giant Food Corporation	*			3,816	7	0.79
U.S. Nuclear Regulatory Commission	*			2,972	10	0.62
Total	<u>99,012</u>		<u>20.07 %</u>	<u>118,661</u>		<u>24.66 %</u>

NOTES:

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

(1) Employee numbers are based on Finance Department's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly

(2) Employee counts for federal and military facilities exclude contractors to the extent possible.

(3) Total average payroll employment in FY17 was 493,289, and in FY08, 481,300.

Table Reference Source: Montgomery County FY 2017 table 22

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Instruction:										
Total enrollment ⁽¹⁾	137,745	139,276	141,777	144,064	146,497	148,779	151,289	153,852	156,447	159,010
Regular students ⁽¹⁾	128,478	130,371	140,065	142,342	144,571	146,930	149,390	152,092	154,288	157,047
ESOL students ⁽²⁾	15,961	16,685	17,664	17,900	18,650	19,200	22,088	23,366	26,127	25,867
Special education classroom students ⁽²⁾	8,853	8,534	9,107	9,067	9,533	11,614	16,339	16,462	17,053	17,861
Cost per pupil (accrual basis) ⁽⁵⁾ \$	16,081 \$	16,543 \$	16,782 \$	16,590 \$	16,476 \$	16,486 \$	17,240 \$	16,919 \$	16,833 \$	17,538
Number of teaching stations ⁽³⁾	7,379	7,660	7,085	7,101	7,492	7,313	7,584	7,595	8,307	8,307
Average teacher salary ⁽⁶⁾ \$	71,039 \$	75,517 \$	76,499 \$	73,638 \$	72,356 \$	75,463 \$	75,452 \$	76,029 \$	75,717 \$	79,604
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	13:1	14:1	13.5:1	14:1	14:1	14:1	14:1	14:1	14:1	13.8
Average SAT score ^{(1) *}	1,616	1,615	1,653	1,637	1,651	1,648	1,650	1,629	1,631	1,157*
Seniors taking SAT ⁽¹⁾ %	74 %	78 %	71 %	71 %	71 %	69 %	69 %	68 %	65 %	62 %
Average ACT score			23	23	23	23	24	24	25	25
Seniors taking ACT			29.5 %	29.3 %	30 %	29.3 %	29.6 %	34 %	35.6 %	39.6 %
Building capacity used ^{(3) #} %	100 %	100 %	98 %	100 %	100 %	102 %	99 %	101 %	101 %	101 %
Support services:										
Student transportation:										
Number of buses ⁽¹⁾	1,272	1,271	1,270	1,268	1,264	1,264	1,270	1,273	1,287	1,290
Students transported ⁽¹⁾	96,000	96,700	97,100	98,535	100,158	99,300	101,949	101,949	104,000	101,225
Operation of plant:										
School buildings ⁽¹⁾	200	199	200	200	200	202	202	203	204	204
Square footage ⁽³⁾	21.1 million	21.1 million	21.4 million	23.5 million	24.2 million	24.6 million	24.9 million	24.9 million	23.9 million	23.7 million
Number of rooms ⁽³⁾	7,385	7,458	7,652	7,737	7,898	7,950	8,157	8,169	8,184	8,320
Maintenance of plant:										
Work orders completed	60,156	59,393	60,322	64,754	61,529	60,305	59,862	63,980	67,083	67,740
Average building age (years) ⁽³⁾ *	22	22	23	23	22	22	23	22	24	25
Administration:										
Payments issued	70,328	65,060	66,412	64,504	65,035	64,880	64,506	61,911	57,476	56,441
Purchased orders issued	43,233	58,858	49,870	59,866	33,436	33,663	48,375	37,763	37,929	36,153
Business-Type Activities:										
Food Service:										
Meals served	12.8 million	13.1 million	12.9 million	13.7 million	14.6 million	14.6 million	15.1 million	17.2 million	17.6 million	17.7 million
Free & Reduced meals	7.0 million	7.5 million	8.1 million	8.9 million	9.6 million	9.9 million	10.3 million	11.9 million	12 million	11.7 million
Real Estate Management:										
Square footage under lease	188,248	168,949	162,389	167,416	169,432	169,768	185,375	179,686	207,177	173,797
Average annual rental months	11	11	11.1	11.42	11.31	11.28	11.06	11.7	11.1	11.6
Field Trip:										
Number of trips run	8,004	9,277	9,800	10,913	11,632	11,490	11,509	11,187	12,264	13,266
Trip miles	298,324	366,796	385,878	427,679	440,462	433,456	421,296	436,954	478,034	503,020
Entrepreneurial activities:										
Science kits sold	5,871	7,975	4,806	5,676	4,748	3,546	1,854	2,293	3,570	2,334

Notes:

NA - Data not readily available.

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

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

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

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

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

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

Sources for 2017:

(1) The Superintendent's FY2018 Operating Budget Summary

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

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

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

(2) 2016-2017 Schools at a Glance

(3) FY 2018 Educational Facilities Master Plan and the FY 2017-2022 Capital Improvements Program

(4) Various Board departments where not otherwise noted

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

(6) FY2017 Fact Sheet Prepared by Employee and Retiree Service Center

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,666	9,589	9,690	9,453
Other staff	1,429	1,371	1,374	1,351
Total Regular instruction	<u>11,095</u>	<u>10,960</u>	<u>11,064</u>	<u>10,804</u>
Special education:				
Teachers	2,024	2,047	2,094	2,117
Other staff	1,412	1,424	1,514	1,545
Total Special education	<u>3,436</u>	<u>3,471</u>	<u>3,608</u>	<u>3,662</u>
School administration	1,691	1,677	1,662	1,683
Student personnel services	122	118	111	110
Total Instruction	<u>16,344</u>	<u>16,226</u>	<u>16,445</u>	<u>16,259</u>
Support services:				
Student transportation	1,751	1,745	1,742	1,742
Operation of plant	1,405	1,403	1,398	1,407
Maintenance of plant	380	396	389	380
Administration	377	369	358	339
Total Support services	<u>3,913</u>	<u>3,913</u>	<u>3,887</u>	<u>3,868</u>
Special Revenue:				
Instructional TV	14	14	14	14
Business-Type Activities:				
Food Service	602	605	584	584
Adult Education				
Real Estate Management	4	7	7	7
Field Trips	3	4	5	5
Entrepreneurial activities	10	8	10	9
Position Grand total	<u>20,890</u>	<u>20,777</u>	<u>20,952</u>	<u>20,746</u>

Source:
 The Superintendent's FY 2018 Operating Budget

Fiscal Year					
2012	2013	2014	2015	2016	2017
9,467	9,617	9,887	10,119	10,029	10,572
1,208	1,211	1,205	1,085	1,022	1,141
<u>10,675</u>	<u>10,828</u>	<u>11,092</u>	<u>11,204</u>	<u>11,051</u>	<u>11,713</u>
2,114	2,141	2,201	2,241	2,272	2,299
1,547	1,556	1,591	1,626	1,659	1,682
<u>3,661</u>	<u>3,697</u>	<u>3,792</u>	<u>3,867</u>	<u>3,931</u>	<u>3,981</u>
1,669	1,673	1,675	1,678	1,655	1,678
109	107	108	112	112	112
<u>16,114</u>	<u>16,305</u>	<u>16,667</u>	<u>16,861</u>	<u>16,749</u>	<u>17,484</u>
1,733	1,733	1,733	1,733	1,721	1,741
1,430	1,431	1,442	1,594	1,594	1,592
380	380	375	351	356	354
327	328	333	347	341	336
<u>3,870</u>	<u>3,872</u>	<u>3,883</u>	<u>4,025</u>	<u>4,012</u>	<u>4,023</u>
13	13	13	14	14	14
584	583	583	585	585	588
7	7	7	7	9	12
5	5	5	5	5	5
<u>9</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>12</u>
<u>20,602</u>	<u>20,798</u>	<u>21,171</u>	<u>21,510</u>	<u>21,388</u>	<u>22,138</u>

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