



HARRIET R. TUBMAN
ELEMENTARY SCHOOL
400

Annual Comprehensive FY 2023 Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Board of Education of Montgomery County
A Component Unit of Montgomery County, Maryland
ROCKVILLE, MARYLAND

Monifa B. McKnight, Ed.D.
Superintendent of Schools

Maryland's Largest School District

MONTGOMERY COUNTY PUBLIC SCHOOLS

Expanding Opportunity and Unleashing Potential

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.

Maryland's Largest School District

MONTGOMERY COUNTY PUBLIC SCHOOLS

Expanding Opportunity and Unleashing Potential

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

Annual Comprehensive Financial Report

For the fiscal year ended June 30, 2023

PREPARED BY:

Montgomery County Public Schools
Office of Finance

Robert Reilly, CPA
Associate Superintendent of Finance

Dan Kelley, CPA
Director

Cover Photographs:
Harriet R. Tubman Elementary School



First Day of Kindergarten

BOARD OF EDUCATION OF MONTGOMERY COUNTY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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BOARD OF EDUCATION OF MONTGOMERY COUNTY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
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INTRODUCTORY SECTION

Board of Education of Montgomery County
June 30, 2023



First Day of Class

September 27, 2023

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

Maryland State law requires that Local Education Agencies (LEAs) publish at the close of each year a complete set of financial statements presented in conformity with United States 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 Annual Comprehensive Financial Report (ACFR) of the Montgomery County Board of Education (Board) for the fiscal year ended June 30, 2023.

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 SB & Company, LLC, an independent firm of licensed, certified public accountants. SB & Company issued an unmodified opinion on the ACFR for fiscal year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's Discussion and Analysis 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 accordance with the *Single Audit Act Amendments of 1996* and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In addition to reporting on the fair presentation of the financial statements, the Single Audit places special emphasis on internal controls and legal requirements involved in the administration of federal awards. These reports are available in the Board's separately issued Single Audit Report.

Board Profile

The Montgomery County Board of Education is the elected body, corporate and politic, established under Maryland State law to provide public education in kindergarten through twelfth grade to children residing within the borders of Montgomery County, Maryland. The Board is composed of five district members and two at-large members elected for a four-year term, and one student member elected

for a one-year term. The Board determines educational policy and employs a superintendent of schools to administer the school system. Primary funding is provided by Montgomery County from its general revenues. Funds also are received from state and federal sources for general school aid and specific purpose grants.

The Board has no power to levy and collect taxes, which is the case for all of the LEAs in Maryland. Each year the Board, with the involvement of the superintendent, parents, guardians, students, Board employees, residents, and other stakeholders in the community, will adopt an annual operating budget. This budget must be approved by the Montgomery County Council. Funding for the capital budget is handled differently. In November 1996, the Montgomery County charter was amended by referendum to require a biennial, rather than annual, Capital Improvements Program (CIP) review and approval process. The total six-year CIP now is reviewed and approved for each odd-numbered fiscal year. For even-numbered fiscal years, only amendments are considered where changes are needed in the second year of the six-year CIP. As Fiscal Year (FY) 2023 was an odd-number fiscal year, all CIP projects were reviewed. This resulted in the County Council adoption of the FY 2023–2028 CIP in May 2022. The County Council approved the FY 2024 Capital Budget and Amendments to the FY 2023–2028 CIP for Montgomery County Public Schools (MCPS) totaling \$1.906 billion for the six-year period. Because of the relationship with Montgomery County, the Board is considered a component unit of the county government, as defined by U.S. GAAP for governmental entities. As such, much of the data presented in this ACFR also will appear in the Montgomery County, Maryland ACFR for the corresponding year.

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

Relevant Financial Policies

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

The Board uses zero-based budgeting as a tool to manage its exposure to rising costs and to assure spending is efficient. Innovative approaches to continuous improvement are employed to streamline processes, eliminate waste, and to measure process performance in meeting the goals of the Board's strategic planning framework. The legal level of budgetary control is at the individual fund level and State category level.

Factors Affecting Financial Condition

The county executive submitted his recommended FY 2024 Operating Budget for Montgomery County on March 15, 2023. This budget included revenue estimates based on information available in January and early February 2023. The FY 2024 operating budget approved by the Montgomery County Council on May 25, 2023, included revenue estimates from the March 2023 budget recommendation by the county executive.

According to the FY 2023 Business Advisory Panel Report to the Montgomery County Council, Montgomery County's economy continued to experience mixed economic performance during Calendar Year (CY) 2022, with strong employment and income growth, but a sharp decline in home sales and reduced construction of residential housing and nonresidential projects. The pace of growth of home sales moderated from prior years, but prices did not decline despite the sharp drop in sales volume, indicating continued demand to live in Montgomery County.

Based on data from the Maryland Department of Labor, Licensing, and Regulation and the Federal Bureau of Labor Statistics, resident employment grew in CY 2022, increasing by 14,232 from CY 2021. This growth was preceded by declines of 4,470 in CY 2021, and a drop of 37,288 in CY 2020. Montgomery County's unemployment rate reduced from 5.5 percent to 3.6 percent, with an increase in the labor force by 5,559 people. The unemployment rate in CY 2022 remains higher than the pre-pandemic rate in CY 2019.

The Federal Reserve increased the federal funds rate, a total of seven times in CY 2022, by a total of 4.0 percent to its current range, at the time the report was issued in April 2023, of between 4.25 percent to 4.5 percent, which resulted in a sharp increase in mortgage rates. The increased mortgage rates depressed demand for existing homes, with total sales declining by 22.9 percent in CY 2022. Despite reduced activity, the median sales price for existing homes in Montgomery County climbed by 4.7 percent in CY 2022 after increasing 9.9 percent in CY 2021 and 7.1 percent in CY 2020.

Despite the increase of interest rates depressing housing demand, the construction of new residential units was virtually unchanged in CY 2022, compared to CY 2021 and CY 2020. However, the total value added from new residential units decreased from \$662.0 million in CY 2021 to \$613.1 million in CY 2022.

The gross domestic product implicit price deflator for state and local government consumption expenditures and gross investment was 3.5 percent for Montgomery County in CY 2021 (the latest year of available data). This was higher than any year since CY 2010 and indicates the rising costs to operate local government.

In conclusion, the employment, real estate demand, and government inflation economic indicators contain mixed signals regarding Montgomery County's economy during FY 2022 and the potential future trajectory. That performance indicated an improved labor market, continued production of new building space and housing units, but a sharp decline in residential real estate demand and rising government costs.

Economic Outlook

Montgomery County's Department of Finance (the department) forecasts that the county may experience a slowdown in the labor market in 2023, but will continue to see modest growth in total income. The department reports that the mild pullback in labor markets will be the result of the significant increase in interest rates depressing the investment and job creation markets across the nation.

The department assumes that payroll employment will increase from CY 2021 to CY 2026 at an annual rate of 1.0 percent, including a drop of 1.1 percent from CY 2022 to CY 2023, with a return to pre-pandemic levels by CY 2025.

Resident employment is expected to increase by an average annual rate of 1.3 percent from CY 2021 to CY 2026. The department assumes that total personal income in Montgomery County will increase at an average annual rate of 3.3 percent from CY 2021 to CY 2026 compared to an average annual growth rate of 2.3 percent from CY 2017 to CY 2021. The forecast is that personal income will continue growing despite a potential decline in employment in CY 2023, indicating continued growth in wage and nonwage income.

The wage and salary income portion of total personal income is assumed to grow, increasing at an average annual rate of 4.5 percent from CY 2021 to CY 2026. This compares to an average annual growth rate of 4.3 percent from CY 2017 to CY 2021.

The overall regional inflation index for the metropolitan statistical area is assumed to moderate from 6.6 percent in CY 2022 to 4.0 percent in CY 2023, and it will approach the more long-term trend of 2.0 percent annual inflation in CY 2024 through CY 2026.

Negotiated Agreements

The bargaining units for MCPS are the Montgomery County Education Association (MCEA), representing certificated non-administrative employees; the Service Employees International Union (SEIU) Local 500, representing supporting services employees; and the Montgomery County Association of Administrators and Principals/Montgomery County Business and Operations Administrators (MCAAP/MCBOA), representing certificated and non-certificated administrators and non-certificated supervisory employees in separate units. The two MCAAP units are covered in a single contract. During FY 2021, the Board reached agreements covering noneconomic terms with all three employee associations; economic terms re-open with each association annually. MCAAP/MCBOA and SEIU are covered under separate three-year agreements, effective July 1, 2020, through June 30, 2023. The agreement with MCEA was shorter, effective February 23, 2021, through June 30, 2022. In a memorandum of understanding, MCPS and MCEA agreed to extend the MCEA contract one fiscal year, through June 30, 2023.

In May 2023, negotiations with the three employee associations were completed and ratified, and the contracts were approved by the Board of Education on June 6, 2023. The agreements addressed salary and wage increases for employees for FYs 2024 and 2025. The two-year agreements reflect the school system's commitment to ensuring MCPS can hire and retain a talented and highly qualified workforce.

Key highlights of the two-year agreements are as follows:

Agreement between MCAAP/MCBOA and MCPS for FY 2024 and FY 2025:

1. Effective July 1, 2023, salary scales will increase by 7.0 percent
2. Effective July 1, 2024:
 - a. Two steps will be added to the MCAAP/MCBOA salary scales
 - MCAAP scale will be extended to include steps 11 and 12.
 - MCBOA scale will be extended to include steps 13 and 14.
 - b. All eligible employees will receive scheduled step increases.

Agreement between MCEA and MCPS for FY 2024 and FY 2025:

Effective July 1, 2023:

1. Salary scale for 10-month employees will increase by \$5,602.
2. Salary scale for 12-month employees will increase by \$6,583; which is equal to 117.5 percent of the salary for which those employees would qualify if employed in 10-month positions.
3. All eligible employees will receive scheduled step increases.

Effective July 1, 2024:

1. Salary scale for 10-month employees will increase by \$2,918.
2. Salary scale for 12-month employees will increase by \$3,428; which is equal to 117.5 percent of the salary for which those employees would qualify if employed in 10-month positions.
3. All eligible employees will receive scheduled step increases.

Agreement between SEIU and MCPS for FY 2024 and FY 2025:

Effective July 1, 2023:

1. Salary scale will increase by \$1.72 per hour.
2. All eligible employees will receive scheduled step increases.

Effective July 1, 2024:

1. Salary scale will increase by 3.0 percent.
2. All eligible employees will receive scheduled step increases.

Enrollment—MCPS has seen a steady increase in enrollment since the 2007–2008 school year. However, the COVID-19 pandemic impacted our student enrollment, as well as the student enrollment of many public schools across the country. The official Pre-K–12 enrollment as of September 30, 2022, was 160,554, which is 2,322 students more than the previous year.

Total school system enrollment is projected to increase to 167,238 students by the 2028–2029 school year. This projection represents a slight slowdown in enrollment growth partly due to the continued decline in resident births, which results in reduced kindergarten enrollment and smaller cohorts of students as they progress through the school system each year. We believe that this decline in enrollment, also due to the COVID-19 health pandemic, will be temporary. Therefore, the capacity

projects included in the amended CIP, as adopted by the County Council in May 2023, are warranted and must remain on their approved schedules.

The adopted CIP included funding for the planning, design, and/or construction of 10 elementary school capacity projects, 3 middle school capacity projects, 4 high school capacity projects, and 11 major capital projects; 5 at the elementary school level, 2 at the middle school level, and 4 at the high school level. The adopted CIP also funds many countywide systemic projects that address the systemwide needs of our aging facilities. The average age of school buildings in FY 2023 was 22 years.

Accomplishments and Awards

Graduation rates—The graduation rate for students in 2022 was 90.3 percent. It remains greater than the state average of 86.3 percent. The graduation rate increased for special education students (2.4 percent over two years), and for students with Limited English Proficiency (LEP) it jumped 8.9 percent since the Class of 2020.

Top high schools—All 25 Montgomery County high schools earned spots on the 2023 Best High Schools list, published by U.S. News & World Report. Five were ranked in the top 500 nationally, and 9 were ranked in the top 26 in Maryland, with 4 in the top 5. Poolesville High School was ranked first in Maryland and 140th nationally, while Walt Whitman High School was ranked third in Maryland and 147th nationally.

Academic progress—Students at all levels are engaged in demanding academic study. In School Year 2021–2022, the emphasis on rigorous course taking resulted in more than 7,329 high school students taking Advanced Placement exams, and 861 taking International Baccalaureate exams. Students earned a college-ready score (3 or higher) on 48.5 percent of those exams.

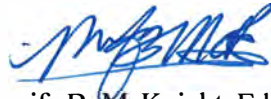
Scholarships—In the 2022–2023 school year, 28 students earned college- and university-sponsored National Merit Scholarships from the National Merit Scholarship Corporation (NMSC). In the 2021–2022 school year 35 students earned National Merit Scholarships from the NMSC.

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 annual comprehensive financial report for the fiscal year ended June 30, 2022, for the 19th consecutive year. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current annual comprehensive 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 42 consecutive years, the Board has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. This award, valid for one year, is granted after an intensive review of the ACFR by an expert panel of certified public accountants and practicing school business officials. The Board plans to submit the FY 2023 ACFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

Acknowledgements

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

Sincerely,



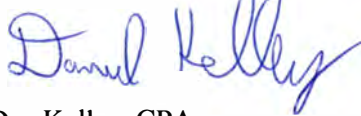
Monifa B. McKnight, Ed.D.
Superintendent of Schools



M. Brian Hull
Chief Operating Officer



Robert Reilly, CPA
Associate Superintendent of Finance



Dan Kelley, CPA
Director, Division of Financial Services

MBM:MBH:RR:DK:rg



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Montgomery County Public Schools
Maryland**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Board of Education of Montgomery County

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2022.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'John W. Hutchison'. The signature is written in a cursive style.

**John W. Hutchison
President**

A handwritten signature in black ink, reading 'Siobhán McMahon'. The signature is written in a cursive style.

**Siobhán McMahon, CAE
Chief Operations Officer/
Interim Executive Director**

BOARD OF EDUCATION OF MONTGOMERY COUNTY
LISTING OF OFFICIALS
as of July 1, 2023

SCHOOL BOARD

Ms. Karla Silvestre
President

Mrs. Shebra L. Evans
Vice President

Ms. Grace Rivera-Oven
District 1

Mrs. Rebecca K. Smondrowski
District 2

Ms. Julie Yang
District 3

Ms. Brenda Wolff
District 5

Ms. Lynne Harris
At-Large

Mr. Sami Saeed
Student Member

EXECUTIVE STAFF

Dr. Monifa B. McKnight
Superintendent of Schools

Mr. M. Brian Hull
Chief Operating Officer

Dr. Patrick Murphy
Deputy Superintendent

Mr. Brian S. Stockton
Chief of Staff

Mrs. Stephanie P. Williams
General Counsel

Dr. Patricia E. Kapunan
School System Medical Officer

Mrs. Elba M. Garcia
Senior Community Advisor

Ms. Diane D. Morris
Acting Chief, School Support
and Well-Being

Dr. Peggy A. Pugh
Chief Academic Officer

Mrs. Stephanie S. Sheron
Chief of Strategic initiatives

Mrs. Dana E. Edwards
Chief of District Operations

Ms. April L. Key
Chief, Human Resources
and Development

EXECUTIVE STAFF

Mrs. Niki T. Hazel
Associate Superintendent,
Curriculum and Instructional
Programs

Ms. Diana K. Wyles
Associate Superintendent,
Special Education

Mr. Robert Reilly, CPA
Associate Superintendent,
Finance

Mr. David W. Adams
Acting Associate Superintendent,
School Support and Well-Being

Dr. Peter O. Moran
Associate Superintendent,
School Support and Well-Being

Dr. Donna Redmond-Jones
Associate Superintendent,
School Support and Well-Being

Mr. Damon A. Monteleone
Associate Superintendent,
Well-Being, Learning and
Achievement

Mr. Seth P. Adams
Associate Superintendent,
Facilities Management

Ms. Celia M. Fischer
Assistant Chief of Communications

MEMBERS OF THE BOARD OF EDUCATION
OF MONTGOMERY COUNTY, MARYLAND
as of July 1, 2023



Grace Rivera-Oven
District 1



Shebra L. Evans
Vice President



Lynne Harris
At-Large



Julie Yang
District 3



Karla Silvestre
President



Rebecca Smondrowski
District 2

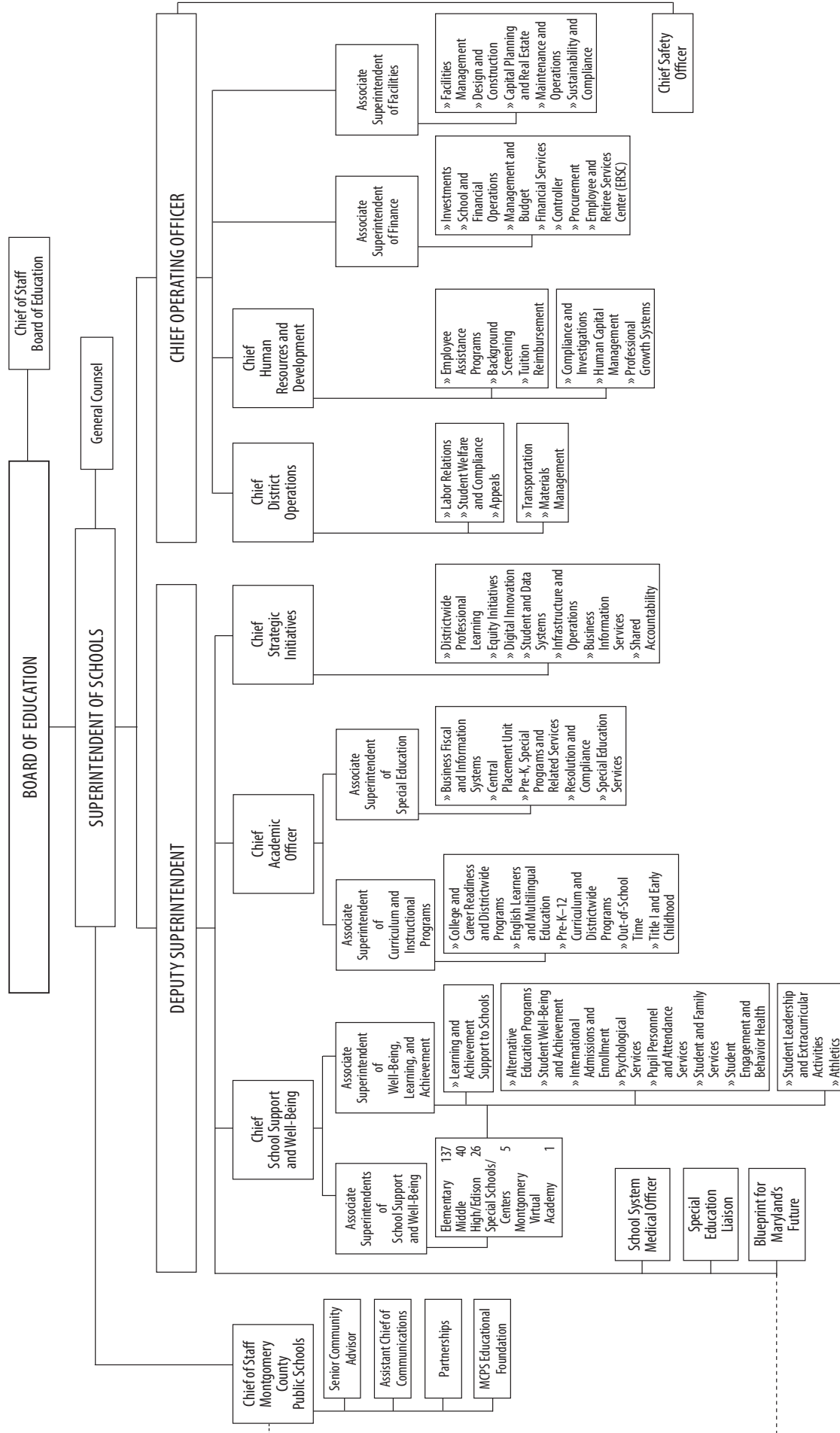


Brenda Wolff
District 5



Sami Saeed
Student Member

FY 2024 MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



Note: This chart does not include every office, department, division or unit. Refer to the FY 2024 Summary Budget for a comprehensive list.



FINANCIAL SECTION

Board of Education of Montgomery County
June 30, 2023



S B & C O M P A N Y, L L C
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Education
of Montgomery County, Maryland
Rockville, Maryland

Opinions

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 operations as Montgomery County Public Schools (the Board), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position 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, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I L. to the financial statements, effective July 1, 2022, the Board adopted new accounting guidance for subscription-based information technology arrangements. The guidance requires the recognition of a subscription asset and a corresponding subscription liability for all arrangements with terms greater than twelve months. Our opinion is not modified with respect to this matter.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Responsibilities of Management for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for one year beyond the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Net Pension Liability, Schedule of Pension Contributions, Schedule of Pension Plan Investment Returns, Schedule of the Board Proportionate Share of the Net Pension Liability (Maryland State Retirement and Pension System) , Schedule of the Board Contributions (Maryland State Retirement and Pension System), Schedule of Changes in Net OPEB Plan Liability and Related Ratios, Schedule of Net OPEB Plan Liability, Schedule of Employer OPEB Plan Contributions, and Schedule of OPEB Plan Investment Returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying supplementary data for the governmental funds, non-major enterprise funds, and fiduciary funds, 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 accompanying supplementary data for the governmental funds, non-major enterprise funds, and fiduciary funds is 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical selections but does not include the financial statements and our independent public accountant's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 on our consideration of the Board's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls 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 controls over financial reporting and compliance.

Owings Mills, Maryland
September 27, 2023

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

Board of Education of Montgomery County

Management's Discussion and Analysis

As management of the Board of Education of Montgomery County (the Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information presented in the transmittal letter, which can be found on pages 1–7 of this report.

Financial Highlights

- The assets and deferred outflows of the Board exceeded its liabilities and deferred inflows at June 30, 2023, by \$438.4 million, which represents its net position. Governmental activities had a net position of \$407.1 million and business-type activities had a net position of \$31.3 million.
- The Board's net position increased during the year by \$154.4 million. Of this increase, \$151.4 million related to governmental activities and \$3.0 million related to business-type activities.
- 85% of capital asset additions were directed toward instructional facilities.
- The Board successfully generated \$31.8 million in Fiscal Year (FY) 2023 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's 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 intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the Board that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Board include most of the district's basic services, such as regular and special education, transportation, and administration. The business-type activities of the Board include food services, real estate management operations, field trip services, and entrepreneurial activities. The government-wide financial statements include not only the Board itself (known as the *primary government*), but also the Montgomery County Public Schools (MCPS) Educational Foundation, Inc., for which the Board is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

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

Fund Financial Statements

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

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the operations of food services and real estate management, both of which are considered to be major funds of the Board. Data for the other two proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46–90 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor proprietary funds are presented after the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 102–114 of this report.

Board of Education of Montgomery County Net Position

(amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022*	2023	2022*	2023	2022*
Current and other assets	\$ 307.1	\$ 355.4	\$ 66.3	\$ 57.9	\$ 373.4	\$ 413.3
Capital assets	3,757.5	3,485.6	159.7	164.8	3,917.2	3,650.4
Total assets	4,064.6	3,841.0	226.0	222.7	4,290.6	4,063.7
Deferred outflows of resources	980.8	804.7			980.8	804.7
Total assets and deferred outflows	5,045.4	4,645.7	226.0	222.7	5,271.4	4,868.4
Long-term liabilities outstanding	2,912.9	3,176.2	160.5	162.0	3,073.4	3,338.2
Other liabilities	277.3	292.6	8.2	11.7	285.5	304.3
Total liabilities	3,190.2	3,468.8	168.7	173.7	3,358.9	3,642.5
Deferred inflows of resources	1,448.1	921.2	26.0	20.7	1,474.1	941.9
Total liabilities and deferred inflows	4,638.3	4,390.0	194.7	194.4	4,833.0	4,584.4
Net Position:						
Net investment in capital assets	3,606.0	3,391.4	0.9	4.2	3,606.9	3,395.6
Restricted for instructional programs	0.5	0.6			0.5	0.6
Unrestricted	(3,199.4)	(3,136.3)	30.4	24.1	(3,169.0)	(3,112.2)
Total net position	\$ 407.1	\$ 255.7	\$ 31.3	\$ 28.3	\$ 438.4	\$ 284.0

* The amounts for June 30, 2022 have not been restated for implementation of GASB No. 96.

Government-wide Financial Analysis

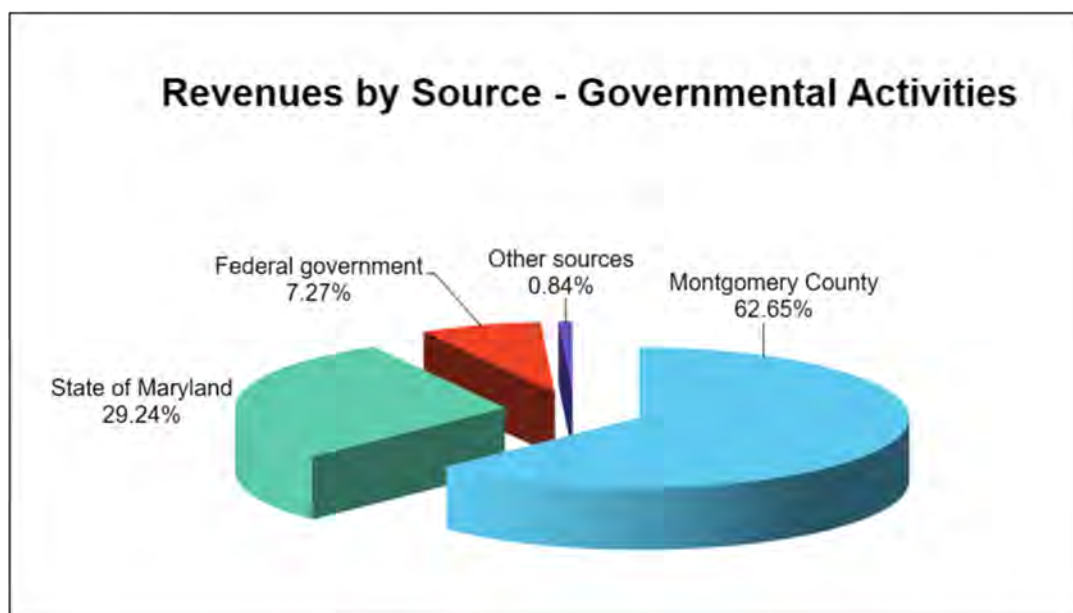
Net position may serve as a useful indicator of a government's financial position. The Board's net position, the amount by which assets and deferred outflows exceed liabilities and deferred inflows, increased \$154.4 million to \$438.4 million. The major portion of the increase came from governmental activities, which increased by \$151.4 million to \$407.1 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 and liabilities used by the Board to acquire those assets. Net investment in capital assets for governmental activities increased \$214.6 million to \$3,606.0 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's 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 \$56.8 million to a \$3,169.0 million deficit at June 30, 2023. The increase in unrestricted net deficit is primarily attributed to the effect of the increase in the OPEB deferred inflows. This increase was \$743.7 million.

The deficit in unrestricted net position arose from the district's funding policies for its noncurrent liabilities, especially for compensated absences and other postemployment benefits. The fiscal condition

of the Board remains strong, and intergovernmental revenues remained high to meet its fiscal obligations and to fund its current operations.



Governmental activities. Governmental activities unrestricted net deficit increased \$63.1 million to a deficit of \$3.2 billion at June 30, 2023. The increase in unrestricted net deficit arose primarily from the increase in net OPEB deferred inflows, as previously mentioned.

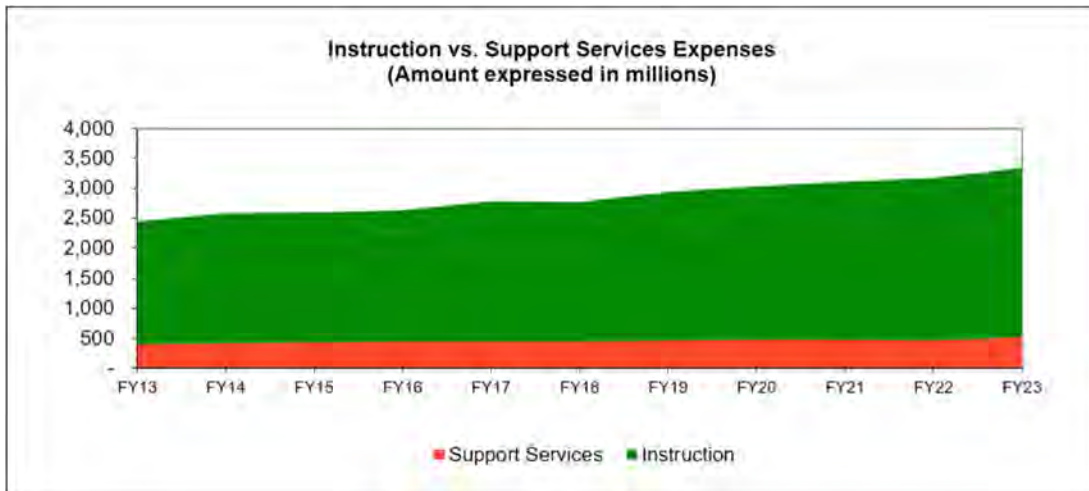
Total revenues for the Board's governmental activities increased \$282.4 million (8.6%). Intergovernmental revenues increased \$292.2 million (10.0%), and operating grants revenues decreased \$55.2 million (19.4%). Intergovernmental revenues from Montgomery County increased \$245.4 million. The increase is primarily due to an increase of \$196.1 million in capital projects revenue in 2023. Intergovernmental revenue from the state of Maryland increased \$40.7 million (4.1%). Federal intergovernmental revenue increased \$6.0 million (16.9%). Other revenue increased by \$7.7 million due to increased student activity funds revenue.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022*	2023	2022*	2023	2022*
Revenues:						
Program revenues:						
Charges for services	\$ 1.0	\$ 0.9	\$ 27.0	\$ 13.1	\$ 28.0	\$ 14.0
Operating grants and contributions	228.4	283.6	60.9	95.9	289.3	379.5
Capital grants and contributions	90.6	53.0			90.6	53.0
General revenues:						
Intergovernmental	3,204.3	2,912.1			3,204.3	2,912.1
Other	26.4	18.7	0.4		26.8	18.7
Total revenues	3,550.7	3,268.3	88.3	109.0	3,639.0	3,377.3
Expenses:						
Regular instruction	1,984.4	1,931.5			1,984.4	1,931.5
Special education	555.5	516.1			555.5	516.1
School administration	240.6	228.6			240.6	228.6
Student personnel services	30.1	24.7			30.1	24.7
Health services	3.0	1.3			3.0	1.3
Student transportation	180.2	161.3			180.2	161.3
Operation of plant	208.8	198.9			208.8	198.9
Maintenance of plant	101.4	83.8			101.4	83.8
Administration	90.0	82.3			90.0	82.3
Community services	3.9	3.5			3.9	3.5
Interest on finance agreements	1.4	1.1			1.4	1.1
Food services			68.8	68.9	68.8	68.9
Real estate management			7.2	4.8	7.2	4.8
Field trips			1.4	1.0	1.4	1.0
Entrepreneurial activities			7.9	8.7	7.9	8.7
Total expenses	3,399.3	3,233.1	85.3	83.4	3,484.6	3,316.5
Increase (decrease) in net position	151.4	35.2	3.0	25.6	154.4	60.8
Net position - Beginning	255.7	220.5	28.3	2.7	284.0	223.2
Net position - Ending	\$ 407.1	\$ 255.7	\$ 31.3	\$ 28.3	\$ 438.4	\$ 284.0

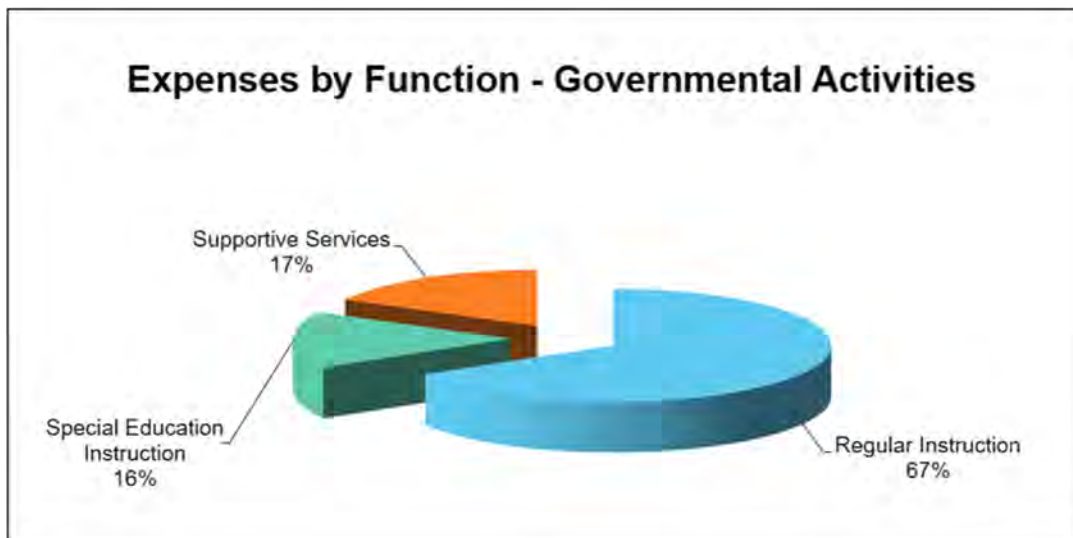
* The amounts for June 30, 2022 have not been restated for implementation of GASB No. 96.

Total expenses for the Board's governmental activities increased \$166.2 million (5.1%) to \$3,399.3 million. In 2023, instructional program expenses accounted for 83%, (84% in 2022), and support services accounted for 17% (16% in 2022) of total governmental activities expenses. The proportion of instructional program expenses to total expenses remains relatively consistent year over year.

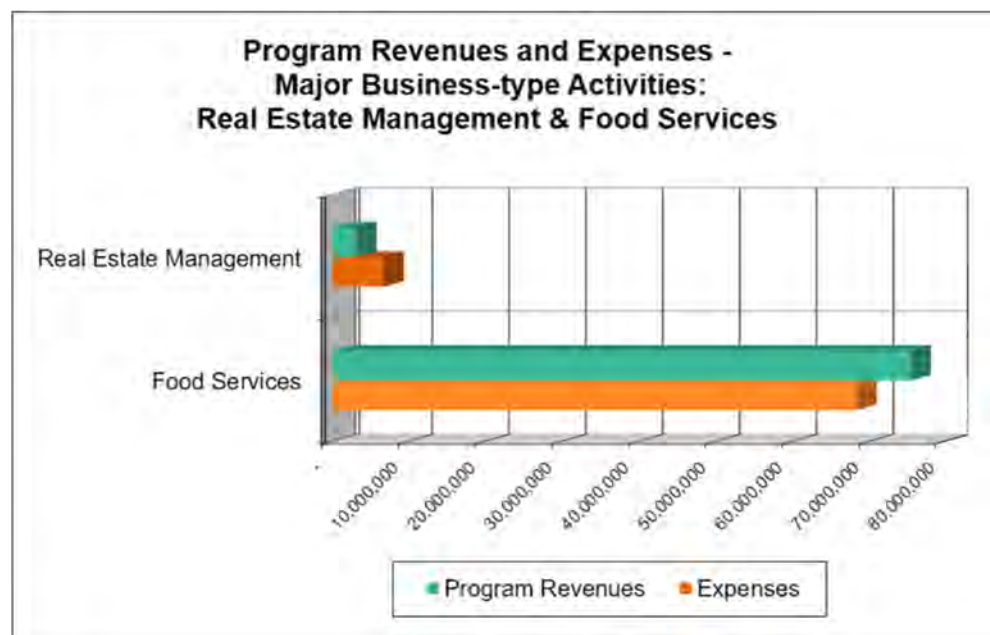
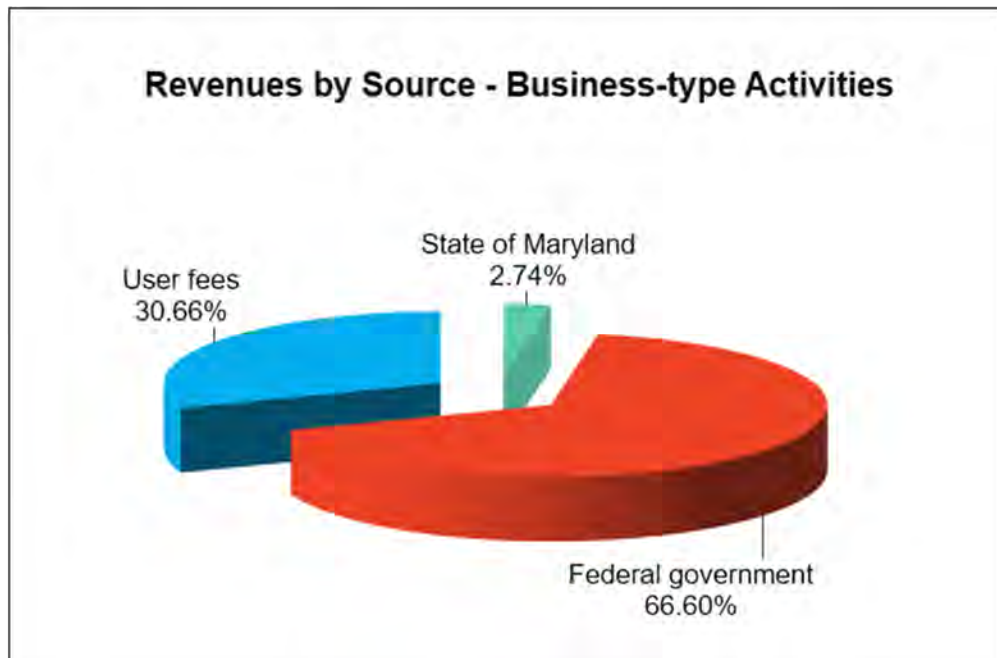


OPEB contributions increased \$11.6 million which was based on the actuarial calculation of the annual required contribution. The County Council also agreed with the county executive to provide \$27.2 million from the county’s Consolidated OPEB Trust Fund to cover current retiree health benefits expenditures in FY 2023. Board contributions to the pension plan increased by \$0.2 million (0.2%), which is relatively consistent with last year.

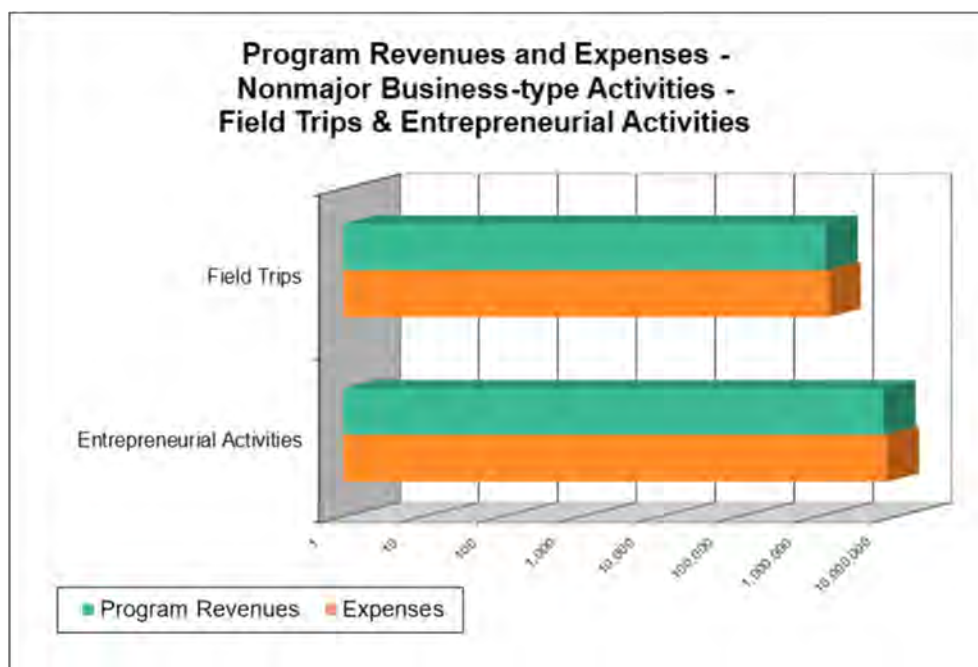
General fund salaries increased \$100.9 million (5.8%), primarily due to step and longevity increases in FY 2023 along with a cost of living adjustment. This was offset, in part, due to the reduction of a net 29 positions in the approved FY 2023 budget to accommodate growth and strategic priorities.



Business-type activities. Business-type activities increased the Board’s net position by \$3.0 million. Total revenues decreased \$20.7 million (19.0%) to \$88.3 million. Charges for services increased \$13.9 million (106.1%) largely due to the effects of schools and cafeterias closing for the some of the previous year due to COVID-19. Nonoperating revenues in the Food Services fund experienced a decrease due to decreased participation in COVID-19 relief grants.



Total expenses increased \$1.9 million (2.2%). Food Services operating expenses decreased \$0.1 million (0.1%). Entrepreneurial activities expenses decreased \$0.8 million (9.2%), Real Estate Management expenses increased \$2.4 million (50.0%), and Field Trips expenses increased \$0.4 million (40.0%). The expenses were relatively consistent with the prior year.



The entrepreneurial, real estate, and field trip enterprise funds all experienced operating losses in FY 2023. The loss in both nonmajor enterprise funds and the real estate management fund have resulted in a net negative position as of June 30, 2023. It is expected that all three of these enterprise funds will return to profitability after the setbacks from COVID-19.

Financial Analysis of the Board’s Funds

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

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

As of the end of the current fiscal year, the Board’s governmental funds reported a combined ending fund balance of \$77.9 million, a decrease of \$9.6 million from the prior year amount.

The general fund is the principal operating fund of the Board. As of June 30, 2023, fund balance was \$77.3 million. Nonspendable fund balance was \$8.8 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 decreased by \$14.8 million to \$60.3 million. The reason for the decrease was largely due to the decrease in encumbrances. Unassigned fund balance increased by \$3.4 million to \$8.2 million at June 30, 2023. 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 is found in the Capital Assets section on page 28 of this report.

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

General Fund Budgetary Highlights

The final amended budget for FY 2023 was \$3,144.6 million. The increase of \$306.8 million from the original budget was a result of \$19.5 million in supplemental grant funding, \$263.4 million in unspent grant expenditures carried forward from FY 2022 and \$23.9 million in prior year encumbrances.

Actual budgetary fund balance increased from the prior year. This is due to less fund balance being carried forward for next year's budget.

Actual revenues were \$151.7 million under budget for the year. This was the result of the \$161.0 million under budget on federal grants, offset by \$5.3 million in Maryland revenue and \$4.1 million in other revenue over budget. The restricted revenue shortfall was \$155.8 million and is mostly comprised of unrealized revenue for COVID relief grants that carried forward into FY 2024.

Actual expenditures were \$183.5 million under budget. Restricted expenditures were \$155.8 million less than the budget, consisted mostly of unspent funds for grants that carry forward into FY 2024.

Unrestricted expenditures were \$27.7 million under budget. Most of the reduction resulted from a savings plan implementation, higher than budgeted instructional salaries lapse, and personnel turnover.

Capital Assets and Debt Administration

Capital Assets. Capital assets include land and site improvements, schools and administrative buildings, school buses, and other vehicles and equipment, including related lease assets. As of June 30, 2023, the Board's investment in capital assets for its governmental and business-type activities amounted to \$3,917.2 million, net of accumulated depreciation. Of this, \$3,757.5 million relates to governmental activities and \$159.7 million relates to business-type activities. Governmental activities increased \$271.9. Business-type activities decreased a \$5.1 million. This amount represented a net increase of \$266.8 million or 7.3% from last year. Lease assets and construction accounted for most of the increase.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 113.1	\$ 113.1	\$	\$	\$ 113.1	\$ 113.1
Buildings	2,667.8	2,612.2			2,667.8	2,612.2
Improvements other than buildings	418.1	398.8			418.1	398.8
Vehicles and equipment	87.2	95.4	4.9	5.6	92.1	101.0
Construction	349.3	222.1			349.3	222.1
Lease assets – buildings	83.3	31.9	154.8	159.2	238.1	191.1
Lease assets - vehicles	11.0	12.1			11.0	12.1
Subscription assets	27.7				27.7	
Total	\$ 3,757.5	\$ 3,485.6	\$ 159.7	\$ 164.8	\$ 3,917.2	\$ 3,650.4

To relieve overcrowding and reduce the number of relocatable classrooms in FY 2023, the Board added 99 classrooms associated with the construction of capital projects at Parkland Middle School (11), Dr. Ronald E. McNair Elementary School (8), William Tyler Page Elementary School Addition (16), a new school: Cabin Branch Elementary School (37), Burnt Mills Elementary School (13), Stonegate Elementary School (9), and South Lake Elementary School (5).

In FY 2024, the Board will add a total of 30 classrooms associated with the construction of capital projects at Woodlin Elementary School (8), Poolesville High School (15), and Neelsville Middle School (7).

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

Long-term debt. As of June 30, 2023, the Board had \$53.5 million in finance agreements outstanding. Of this, \$52.9 million relates to governmental activities and \$0.6 million relates to business-type activities. The Board acquires school buses, instructional computers and furniture, other vehicles, and heavy equipment through a finance agreement with a financial institution. New finance agreements for school buses, instructional computers, and other equipment amounted to \$22.1 million during FY 2023, \$21.7 million for governmental activities and \$0.4 million for business type activities. Principal payments

on existing finance agreements were \$30.0 million during the current year, \$29.7 million for governmental activities and \$0.3 million for business type activities.

Additional information on the Board's long-term debt can be found in note IX to the financial statements.

Factors Bearing on the Board's Future

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

Other Postemployment Benefits (OPEB)

Montgomery County contributed \$27.2 million to the Consolidated Retiree Health Benefit Trust (CRHBT) in FY 2022 and FY 2023 on behalf of the Board. In FY 2022, the county budget authorized \$73.0 million in total MCPS retiree pay-as-you-go funding through \$45.8 million in tax supported funding and \$27.2 million from the Board's portion of the CRHBT. In FY 2023, the county budget authorized \$57.4 million in total MCPS retiree pay-as-you-go funding through \$30.2 million in tax supported funding and \$27.2 million from the Board's portion of the CRHBT. The Board's OPEB pre-funding is appropriated directly to the CRHBT and is not part of the Board's budget request. Until FY 2017, the county had been funding the Board's OPEB actuarially determined contribution. However, in FY 2018 and FY 2019 the contribution was decreased due to a self-imposed savings plan. Since FY 2020, county budgets reverted back to fully funding the actuarially determined contribution.

Every Student Succeeds Act of 2015 (ESSA). On December 10, 2015, the ESSA was signed into law by President Barack Obama. This reauthorization of the ESSA, formerly known as the *No Child Left Behind Act of 2001*, 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; and
- support students to ensure a well-rounded education.

Bridge to Excellence in Public Schools Act of 2002 (BTE). The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The *BTE Act* (Senate Bill 856) provides additional statewide funding to assure the adequacy of educational resources while redirecting resources more equitably to meet the needs of students with disabilities, limited English proficient students, and students impacted by poverty. For FY 2023, in the operating budget adopted on June 10, 2022, the Montgomery County Public Schools received an increase of \$23,973,170 (3.0%) in state aid compared to FY 2022. The majority of this funding is from the Bridge to Excellence legislation and other forms of state aid including aid for students with disabilities and student transportation. Changes in the various categories of state aid in FY 2023 are the result of the official enrollment as of

September 30, 2021, compared to the previous year. The Board enrollment decrease totaled 3,648 eligible students on September 30, 2021, due to the pandemic. Hold-harmless provisions in state aid accounted for the increase in state aid in FY 2023. Major changes in state aid in FY 2023 from FY 2022 are a decrease of \$3,833,932 (1.0%) in the foundation grant, a decrease of \$14,786,128 (10.0%) in compensatory education revenue for students who are economically disadvantaged, a decrease of \$4,791,071 (5.8%) in funding for Limited English Proficient aid, a decrease of \$133,296 (0.3%) in formula aid for students with disabilities, a decrease of \$5,461,967 (11.5%) for student transportation aid, and a decrease of \$594,861 (1.5%) based on the Geographic Cost of Education Index.

To counter these formula-based reductions in state aid based on our official enrollment, the Board received \$23,822,255 for a hold-harmless grant for declining enrollment and \$5,879,000 for a hold-harmless grant for transportation of students with disabilities.

In addition, the *Blueprint for Maryland's Future* legislation, originally passed in 2019, transforms the state's early childhood, primary, and secondary education systems to the levels of high-performing systems around the world. This legislation provided the Board with a total of \$31,301,475 of state aid in FY 2023, an increase of \$3,896,479 compared to FY 2022. The budget also included \$20,070,818 in funding for supplemental instruction/tutoring activities in the district.

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

Following several years of being funded at the minimum level required by the MOE law, in FY 2017, the Board was funded at \$90.0 million above MOE. This increased the cost per pupil from \$9,749 to \$10,637. Along with this increase, the County Council's appropriation provided \$37.9 million of accelerators that allow the Board to reduce class sizes in many classrooms across the district and accelerate efforts to close the achievement gap. In FY 2018, the County Council funded the Board at \$21.2 million above MOE. This increased the amount per pupil to \$10,765. In FY 2019, the Board received \$18.6 million over MOE. This increased the amount per pupil to \$10,878. In FY 2020, the Board received \$8.7 million over MOE. This increased the amount per pupil to \$10,923. In FY 2021, the Board was funded at the minimum level required by the MOE law. This increased the amount per pupil to \$10,926. Finally, based on language in Maryland House Bill 1372, the local contribution in FY 2022 was \$349,430 above the minimum level required by the state's MOE law. This increased the amount per pupil to \$10,938.

The FY 2024 Operating Budget appropriated by the County Council for the Board includes a local contribution of \$1,839,071,460, an increase of \$84,823,592 more than the FY 2023 local contribution of \$1,754,247,868. Based on the language in Maryland House Bill 1372 passed by the General Assembly in the spring of 2021, this local contribution is \$86,409,225 above the minimum level required by the state's

MOE law. The \$86,409,225 of funding above MOE from Montgomery County increased the cost per pupil amount to \$11,663 in FY 2024, an increase of \$725 per student compared to FY 2023.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Associate Superintendent of Finance, Board of Education of Montgomery County, 850 Hungerford Drive, Room 167, Rockville, Maryland 20850.



BASIC FINANCIAL STATEMENTS

Board of Education of Montgomery County
June 30, 2023

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Educational Foundation
Assets				
Equity in pooled cash and investments	\$ 43,385,219	\$ -	\$ 43,385,219	\$ -
Cash and cash equivalents		24,166,509	24,166,509	519,146
Investments - cash equivalents	48,421,133		48,421,133	9,312,934
Accounts receivable:				
Montgomery County	73,893,467	713,460	74,606,927	
State of Maryland	72,247,819	742,906	72,990,725	
Federal government	33,884,734	3,003,867	36,888,601	
Other	26,406,116	7,253,929	33,660,045	
Due from primary government				4,279
Inventories	8,069,004	4,487,671	12,556,675	
Prepays	693,256		693,256	
Due from employees	38,312		38,312	
Lease receivable		25,959,860	25,959,860	
Capital assets, not being depreciated	462,432,369		462,432,369	
Capital assets, net of accumulated depreciation and amortization	3,295,093,353	159,702,656	3,454,796,009	
Total assets	<u>4,064,564,782</u>	<u>226,030,858</u>	<u>4,290,595,640</u>	<u>9,836,359</u>
Deferred Outflows of Resources				
Pension deferrals	336,942,103		336,942,103	
OPEB deferrals	643,837,712		643,837,712	
Total deferred outflows of resources	<u>980,779,815</u>	<u>-</u>	<u>980,779,815</u>	<u>-</u>
Liabilities				
Accounts payable and other current liabilities	213,455,696	3,719,835	217,175,531	
Due to component unit	4,279		4,279	
Due to external parties	21,317,000		21,317,000	
Internal balances	2,845,941	(2,845,941)		
Unearned revenue	3,807,819	5,270,606	9,078,425	
Noncurrent liabilities:				
Due within one year	35,855,284	2,061,472	37,916,756	
Due in more than one year	2,912,879,970	160,500,595	3,073,380,565	
Total liabilities	<u>3,190,165,989</u>	<u>168,706,567</u>	<u>3,358,872,556</u>	<u>-</u>
Deferred Inflows of Resources				
Pension deferrals	133,868,871		133,868,871	
OPEB deferrals	1,314,217,951		1,314,217,951	
Lease deferrals		25,977,662	25,977,662	
Total deferred inflows of resources	<u>1,448,086,822</u>	<u>25,977,662</u>	<u>1,474,064,484</u>	<u>-</u>
Net Position				
Net investment in capital assets	3,606,002,679	857,887	3,606,860,566	
Restricted - instructional programs and scholarships	536,717		536,717	4,261,478
Unrestricted	(3,199,447,610)	30,488,742	(3,168,958,868)	5,574,881
Total net position	<u>\$ 407,091,786</u>	<u>\$ 31,346,629</u>	<u>\$ 438,438,415</u>	<u>\$ 9,836,359</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,984,397,163	\$ 881,206	\$ 147,378,063	\$ 57,203,180
Special education	555,546,268	153,227	55,397,208	
School administration	240,596,291		4,629,189	
Student personnel services	30,097,855		1,885,456	
Health services	2,909,962			
Total instruction	<u>2,813,547,539</u>	<u>1,034,433</u>	<u>209,289,916</u>	<u>57,203,180</u>
Support services:				
Student transportation	180,185,861		2,624,766	
Operation of plant	208,785,627		4,792,157	
Maintenance of plant	101,464,715		8,611,244	25,884,172
Administration	89,976,792		397,777	7,442,076
Community services	3,871,732		2,672,156	
Interest on finance agreements	1,414,045			
Total support services	<u>585,698,772</u>	<u>-</u>	<u>19,098,100</u>	<u>33,326,248</u>
Total governmental activities	<u>3,399,246,311</u>	<u>1,034,433</u>	<u>228,388,016</u>	<u>90,529,428</u>
Business-type activities:				
Food services	68,744,813	14,955,489	60,958,851	
Real estate management	7,166,779	3,625,602		
Field trips	1,421,044	1,292,309		
Entrepreneurial activities	7,891,920	7,084,093		
Total business-type activities	<u>85,224,556</u>	<u>26,957,493</u>	<u>60,958,851</u>	<u>-</u>
Total primary government	<u>\$ 3,484,470,867</u>	<u>\$ 27,991,926</u>	<u>\$ 289,346,867</u>	<u>\$ 90,529,428</u>
Component Unit:				
Educational Foundation	<u>\$ 1,130,278</u>	<u>\$ -</u>	<u>\$ 4,312,090</u>	<u>\$ -</u>

General revenues:

Unrestricted intergovernmental:
Montgomery County
State of Maryland
Federal government
Other income
Total general revenues
Change in net position
Net position - beginning
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
\$ (1,778,934,714)	\$ -	\$ (1,778,934,714)	\$ -
(499,995,833)		(499,995,833)	
(235,967,102)		(235,967,102)	
(28,212,399)		(28,212,399)	
(2,909,962)		(2,909,962)	
<u>(2,546,020,010)</u>	<u>-</u>	<u>(2,546,020,010)</u>	<u>-</u>
(177,561,095)		(177,561,095)	
(203,993,470)		(203,993,470)	
(66,969,299)		(66,969,299)	
(82,136,939)		(82,136,939)	
(1,199,576)		(1,199,576)	
(1,414,045)		(1,414,045)	
<u>(533,274,424)</u>	<u>-</u>	<u>(533,274,424)</u>	<u>-</u>
<u>(3,079,294,434)</u>	<u>-</u>	<u>(3,079,294,434)</u>	<u>-</u>
	7,169,527	7,169,527	
	(3,541,177)	(3,541,177)	
	(128,735)	(128,735)	
	(807,827)	(807,827)	
<u>-</u>	<u>2,691,788</u>	<u>2,691,788</u>	<u>-</u>
<u>(3,079,294,434)</u>	<u>2,691,788</u>	<u>(3,076,602,646)</u>	<u>-</u>
			<u>3,181,812</u>
2,138,769,426		2,138,769,426	
1,023,752,199		1,023,752,199	
41,733,323		41,733,323	
26,439,970	354,337	26,794,307	
<u>3,230,694,918</u>	<u>354,337</u>	<u>3,231,049,255</u>	<u>-</u>
151,400,484	3,046,125	154,446,609	3,181,812
255,691,302	28,300,504	283,991,806	6,654,547
<u>\$ 407,091,786</u>	<u>\$ 31,346,629</u>	<u>\$ 438,438,415</u>	<u>\$ 9,836,359</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 43,385,219	\$ -	\$ -	\$ 43,385,219
Accounts receivable:				
Montgomery County	626,182	73,267,285		73,893,467
State of Maryland	43,319,950	28,927,869		72,247,819
Federal government	33,884,734			33,884,734
Other	23,528,710	125,984		23,654,694
Due from other funds	65,602,417	2,112,143	571,807	68,286,367
Inventories	8,069,004			8,069,004
Prepays	693,256			693,256
Due from employees	38,312			38,312
Total assets	<u>\$ 219,147,784</u>	<u>\$ 104,433,281</u>	<u>\$ 571,807</u>	<u>\$ 324,152,872</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 42,426,640	\$ 27,455,254	\$ 27,425	\$ 69,909,319
Retainage payable		19,591,617		19,591,617
Accrued salaries and withholdings	77,633,835			77,633,835
Due to other funds	16,917,335	57,386,410	7,665	74,311,410
Due to fiduciary funds	1,030,602			1,030,602
Due to component unit	4,279			4,279
Unearned revenue	3,807,819			3,807,819
Total liabilities	<u>141,820,510</u>	<u>104,433,281</u>	<u>35,090</u>	<u>246,288,881</u>
Fund balances:				
Nonspendable	8,762,260			8,762,260
Restricted			536,717	536,717
Assigned	60,339,905			60,339,905
Unassigned	8,225,109			8,225,109
Total fund balances	<u>77,327,274</u>	<u>-</u>	<u>536,717</u>	<u>77,863,991</u>
Total liabilities and fund balances	<u>\$ 219,147,784</u>	<u>\$ 104,433,281</u>	<u>\$ 571,807</u>	<u>\$ 324,152,872</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

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

Total fund balances - governmental funds	\$	77,863,991
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	\$	5,768,906,527
Accumulated depreciation and amortization is		<u>(2,011,380,805)</u>
		3,757,525,722
Pension related deferred outflows of resources		336,942,103
OPEB related deferred outflows of resources		643,837,712
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.		
		(11,546,446)
Treatment of compensated absences on the governmental statement has changed. Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Finance agreements payable	\$	(52,931,229)
Compensated absences		(187,993,784)
Lease liability		(96,363,285)
Accrued interest payable on leases		(61,598)
Subscription liability		(23,445,804)
Accrued interest payable on subscriptions		(647,622)
Net pension liability		(502,552,141)
Net OPEB liability		<u>(2,085,449,011)</u>
		(2,949,444,474)
Pension related deferred inflows of resources		(133,868,871)
OPEB related deferred inflows of resources		<u>(1,314,217,951)</u>
Total net position - governmental activities	\$	<u>407,091,786</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, 2023

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,811,874,196	\$ 412,589,113	\$ -	\$ 2,224,463,309
State of Maryland	1,027,897,075	10,357,428		1,038,254,503
Federal government	257,377,277	623,758		258,001,035
Other sources	28,158,173		1,769,775	29,927,948
Total revenues	<u>3,125,306,721</u>	<u>423,570,299</u>	<u>1,769,775</u>	<u>3,550,646,795</u>
Expenditures:				
Current:				
Administration	57,999,311			57,999,311
Mid-level administration	167,505,235			167,505,235
Instructional salaries and wages	1,182,032,476			1,182,032,476
Instructional textbooks and supplies	53,271,433			53,271,433
Other instructional costs	51,437,345			51,437,345
Special education	405,855,230			405,855,230
Student personnel services	20,992,521			20,992,521
Health services	2,655,964			2,655,964
Student transportation	128,032,401			128,032,401
Operation of plant	164,349,199			164,349,199
Maintenance of plant	49,913,874			49,913,874
Fixed charges	830,954,792			830,954,792
Community services	1,122,196		1,868,511	2,990,707
Debt service:				
Finance agreement, lease, and subscription principal	22,833,094	13,343,824		36,176,918
Finance agreement, lease, and subscription interest	2,036,863	409,929		2,446,792
Capital outlay	85,319,454	421,684,698		507,004,152
Total expenditures	<u>3,226,311,388</u>	<u>435,438,451</u>	<u>1,868,511</u>	<u>3,663,618,350</u>
Excess (deficiency) of revenues over expenditures	<u>(101,004,667)</u>	<u>(11,868,152)</u>	<u>(98,736)</u>	<u>(112,971,555)</u>
Other financing sources (uses):				
Finance agreements	10,546,637	11,118,152		21,664,789
Leases	53,530,280			53,530,280
Subscriptions	28,098,934			28,098,934
Transfer in		750,000		750,000
Transfer out	(750,000)			(750,000)
Total other financing sources	<u>91,425,851</u>	<u>11,868,152</u>	<u>-</u>	<u>103,294,003</u>
Net change in fund balances	(9,578,816)	-	(98,736)	(9,677,552)
Fund balances - beginning	<u>86,906,090</u>	<u>-</u>	<u>635,453</u>	<u>87,541,543</u>
Fund balances - ending	<u>\$ 77,327,274</u>	<u>\$ -</u>	<u>\$ 536,717</u>	<u>\$ 77,863,991</u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds \$ (9,677,552)

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 capitalized capital outlays (\$415,841,437) exceed depreciation and amortization expense (\$144,593,924) in the current period. 271,247,513

Some of the capital assets and assets below the capitalization threshold acquired this year were financed with finance agreements. The amount financed through finance agreements is reported in the governmental funds as a source of financing. On the other hand, the finance agreements 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 finance agreements 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 principal payments (\$29,655,478) exceeded new finance agreements (\$21,664,789). 7,990,689

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

Compensated absences	\$	(5,087,002)	
Lease liability		(51,654,572)	
Subscription liability		(23,445,804)	
Pension expense		5,584,176	
OPEB expense		<u>(16,795,271)</u>	
			(91,398,473)

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. (26,761,693)

Change in net position of governmental activities \$ 151,400,484

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, 2023

	Budgeted Amounts		Actual Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	Encumbrances	Total	
Revenues:						
Montgomery County	\$ 1,839,074,196	\$ 1,839,074,196	\$ 1,839,074,196	\$ -	\$ 1,839,074,196	\$ -
State of Maryland	868,789,780	868,789,780	874,045,061		874,045,061	5,255,281
Federal government	93,547,344	376,425,694	215,408,052		215,408,052	(161,017,642)
Other sources	1,357,197	1,357,197	5,453,474		5,453,474	4,096,277
Total revenues	2,802,768,517	3,085,646,867	2,933,980,783		2,933,980,783	(151,666,084)
Expenditures and encumbrances:						
Current:						
Administration	69,581,188	75,288,013	66,362,808	5,635,283	71,998,091	3,289,922
Mid-level administration	169,286,863	174,300,017	167,505,235	168,429	167,673,664	6,626,353
Instructional salaries and wages	1,144,129,520	1,231,857,259	1,182,032,476		1,182,032,476	49,824,783
Instructional textbooks and supplies	44,262,349	81,109,074	53,271,433	4,308,889	57,580,322	23,528,752
Other instructional costs	27,056,179	58,872,220	29,192,614	1,661,662	30,854,276	28,017,944
Special education	396,929,302	433,696,032	405,855,230	693,811	406,549,041	27,146,991
Student personnel services	17,539,934	26,347,011	20,992,521	1,674	20,994,195	5,352,816
Health services	2,656,878	2,971,631	2,655,964	39,306	2,695,270	276,361
Student transportation	130,772,281	136,599,645	135,046,807	159,834	135,206,641	1,393,004
Operation of plant	159,573,660	168,548,661	166,354,196		166,354,196	2,194,465
Maintenance of plant	40,940,163	57,385,641	50,318,378	4,465,552	54,783,930	2,601,711
Fixed charges	634,057,832	681,132,764	662,333,553	928,176	663,261,729	17,871,035
Food service		14,788,945				14,788,945
Community services	982,368	1,662,502	1,122,196		1,122,196	540,306
Total expenditures and encumbrances	2,837,768,517	3,144,559,415	2,943,043,411	18,062,616	2,961,106,027	183,453,388
Excess (deficiency) of revenues over expenditures and encumbrances	(35,000,000)	(58,912,548)	(9,062,628)	(18,062,616)	(27,125,244)	31,787,304
Other financing sources/(uses)						
Budgeted use of fund balance	35,000,000	35,000,000				(35,000,000)
Prior-year encumbrances		23,912,548		23,912,548	23,912,548	
Transfer out			(750,000)		(750,000)	(750,000)
Net change in fund balance	\$ -	\$ -	\$ (9,812,628)	\$ 5,849,932	(3,962,696)	(3,962,696)
Budgetary fund balance - beginning					39,818,241	39,818,241
(Increase) in Nonspendable Fund Balance - Inventories and Prepaids					(1,812,689)	(1,812,689)
(Decrease) in Student Activity Funds Change in Fund Balance					(817,747)	(817,747)
(Use) of Fund Balance in Subsequent Year					(25,000,000)	(25,000,000)
Unassigned fund balance - ending					\$ 8,225,109	\$ 8,225,109

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, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Food Services	Real Estate Management	Nonmajor Enterprise Funds	Total	
Assets					
Current assets:					
Cash and cash equivalents	\$ 24,166,509	\$ -	\$ -	\$ 24,166,509	\$ -
Investments - cash equivalents					48,421,133
Accounts receivable:					
Montgomery County	713,460			713,460	
State of Maryland	742,906			742,906	
Federal government	3,003,867			3,003,867	
Other		739,440	6,514,489	7,253,929	2,092,826
Due from other funds	12,779,081	390,406	846,770	14,016,257	3,179,102
Lease receivable		2,464,282		2,464,282	
Inventories	4,487,671			4,487,671	
Total current assets	<u>45,893,494</u>	<u>3,594,128</u>	<u>7,361,259</u>	<u>56,848,881</u>	<u>53,693,061</u>
Noncurrent assets:					
Lease receivable		23,495,578		23,495,578	
Capital assets, net of accumulated depreciation:					
Machinery and equipment	4,920,553		28,565	4,949,118	
Lease assets - buildings		154,753,538		154,753,538	
Total noncurrent assets	<u>4,920,553</u>	<u>178,249,116</u>	<u>28,565</u>	<u>183,198,234</u>	<u>-</u>
Total assets	<u>50,814,047</u>	<u>181,843,244</u>	<u>7,389,824</u>	<u>240,047,115</u>	<u>53,693,061</u>
Liabilities					
Current liabilities:					
Accounts payable	61,305	1,473,559	2,184,971	3,719,835	17,342
Claims payable					35,773,560
Due to employees, advance premium withholdings					9,162,207
Due to other funds	1,406,640	1,196,422	8,567,254	11,170,316	
Due to fiduciary funds					20,286,398
Unearned revenue	5,270,606			5,270,606	
Finance agreements payable - current	203,619			203,619	
Compensated absences - current	197,221			197,221	
Lease liability - current		1,660,632		1,660,632	
Total current liabilities	<u>7,139,391</u>	<u>4,330,613</u>	<u>10,752,225</u>	<u>22,222,229</u>	<u>65,239,507</u>
Noncurrent liabilities:					
Finance agreements payable	395,433			395,433	
Compensated absences	2,668,122	68,403	184,500	2,921,025	
Lease liability		157,184,137		157,184,137	
Total noncurrent liabilities	<u>3,063,555</u>	<u>157,252,540</u>	<u>184,500</u>	<u>160,500,595</u>	<u>-</u>
Total liabilities	<u>10,202,946</u>	<u>161,583,153</u>	<u>10,936,725</u>	<u>182,722,824</u>	<u>65,239,507</u>
Deferred Inflows of Resources					
Lease deferrals		25,977,662		25,977,662	
Total Deferred Inflows of Resources	<u>-</u>	<u>25,977,662</u>	<u>-</u>	<u>25,977,662</u>	<u>-</u>
Net Position					
Net investment in capital assets	4,920,553	(4,091,231)	28,565	857,887	
Unrestricted (deficit)	35,690,548	(1,626,340)	(3,575,466)	30,488,742	(11,546,446)
Total net position	<u>\$ 40,611,101</u>	<u>\$ (5,717,571)</u>	<u>\$ (3,546,901)</u>	<u>\$ 31,346,629</u>	<u>\$ (11,546,446)</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, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Food Services	Real Estate Management	Nonmajor Enterprise Funds	Total	
Operating revenues:					
Sale of food	\$ 14,955,489	\$ -	\$ -	\$ 14,955,489	\$ -
Rent and fees		3,625,602	8,376,402	12,002,004	
Employer's contributions					352,734,074
Members' contributions					59,616,952
Total operating revenues	<u>14,955,489</u>	<u>3,625,602</u>	<u>8,376,402</u>	<u>26,957,493</u>	<u>412,351,026</u>
Operating expenses:					
Salaries and wages	23,939,108	480,104	2,129,777	26,548,989	
Contracted services	1,523,600	55,434	6,287,364	7,866,398	
Supplies and materials	2,969,608	6,467	426,061	3,402,136	
Food purchases	18,899,234			18,899,234	
USDA commodities	7,250,081			7,250,081	
Other charges	12,994,049	2,139,211	453,391	15,586,651	1,382,668
Depreciation and amortization	1,169,133	4,485,563	16,371	5,671,067	
Benefits paid to plan members					381,231,503
Premiums paid to insurance companies					57,764,017
Total operating expenses	<u>68,744,813</u>	<u>7,166,779</u>	<u>9,312,964</u>	<u>85,224,556</u>	<u>440,378,188</u>
Operating income (loss)	<u>(53,789,324)</u>	<u>(3,541,177)</u>	<u>(936,562)</u>	<u>(58,267,063)</u>	<u>(28,027,162)</u>
Nonoperating revenues:					
National school lunch and other food programs:					
Federal funds	51,296,505			51,296,505	
State funds	2,412,265			2,412,265	
USDA commodities	7,250,081			7,250,081	
Investment income	354,337			354,337	1,265,469
Total nonoperating revenues	<u>61,313,188</u>	<u>-</u>	<u>-</u>	<u>61,313,188</u>	<u>1,265,469</u>
Change in net position	7,523,864	(3,541,177)	(936,562)	3,046,125	(26,761,693)
Total net position - beginning	<u>33,087,237</u>	<u>(2,176,394)</u>	<u>(2,610,339)</u>	<u>28,300,504</u>	<u>15,215,247</u>
Total net position - ending	<u>\$ 40,611,101</u>	<u>\$ (5,717,571)</u>	<u>\$ (3,546,901)</u>	<u>\$ 31,346,629</u>	<u>\$ (11,546,446)</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, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Food Services	Real Estate Management	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 13,675,206	\$ 3,187,869	\$ 9,061,521	\$ 25,924,596	\$ 57,791,367
Receipts from assessments made to other funds					352,075,478
Payments to suppliers	(42,340,735)	986,614	(6,381,700)	(47,735,821)	(57,746,675)
Payments to employees	(26,071,393)	(514,574)	(2,401,114)	(28,987,081)	
Payments for insurance claims					(368,933,051)
Payments for assessments made by other funds	(10,113,912)	(138,895)	(264,856)	(10,517,663)	
Payments for other operating expenses	(596,672)	(1,963,188)	(13,851)	(2,573,711)	(1,382,668)
Net cash provided (used by) operating activities	<u>(65,447,506)</u>	<u>1,557,826</u>	<u>-</u>	<u>(63,889,680)</u>	<u>(18,195,549)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Nonoperating grants received	80,198,348			80,198,348	
Transfers (to) from other funds					(6,293,891)
Net cash provided (used by) noncapital financing activities	<u>80,198,348</u>	<u>-</u>	<u>-</u>	<u>80,198,348</u>	<u>(6,293,891)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from finance agreements payable	415,715			415,715	
Purchases of capital assets	(505,585)			(505,585)	
Principal paid on finance agreements	(299,942)			(299,942)	
Principal paid on leases		(1,557,826)		(1,557,826)	
Net cash provided (used by) capital and related financing activities	<u>(389,812)</u>	<u>(1,557,826)</u>	<u>-</u>	<u>(1,947,638)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	354,337			354,337	2,335,727
Net cash provided by investing activities	<u>354,337</u>	<u>-</u>	<u>-</u>	<u>354,337</u>	<u>2,335,727</u>
Net increase (decrease) in cash and cash equivalents	14,715,367	-	-	14,715,367	(22,153,713)
Cash and cash equivalents - beginning	9,451,142	-	-	9,451,142	70,574,846
Cash and cash equivalents - ending	<u>\$ 24,166,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,166,509</u>	<u>\$ 48,421,133</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (53,789,324)	\$ (3,541,177)	\$ (936,562)	\$ (58,267,063)	\$ (28,027,162)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,169,133	4,485,563	16,371	5,671,067	
USDA commodities used	7,250,081			7,250,081	
Deferred inflow of resources- leases		5,237,456		5,237,456	
Effects of changes in operating assets and liabilities:					
Receivables		(13,715)	685,119	671,404	
Due from other funds	(12,779,081)			(12,779,081)	(658,596)
Non-USDA inventories	478,571			478,571	
Lease receivables		(5,661,474)		(5,661,474)	
Accounts payable	(24,019)	(83)	567,273	543,171	17,342
Claims payable					12,298,452
Advance premium withholdings					(1,825,585)
Due to other funds	(6,623,764)	1,048,598	(235,548)	(5,810,714)	
Unearned revenue	(1,280,283)			(1,280,283)	
Compensated absences	151,180	2,658	(96,653)	57,185	
Net cash provided (used by) operating activities	<u>\$ (65,447,506)</u>	<u>\$ 1,557,826</u>	<u>\$ -</u>	<u>\$ (63,889,680)</u>	<u>\$ (18,195,549)</u>
Noncash investing, capital and financing activities:					
USDA commodities received	\$ 7,250,081	\$ -	\$ -	\$ 7,250,081	\$ -

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, 2023

	Pension and Other Employee Benefits Trust Funds
<hr/>	
Assets	
Cash	\$ <u> -</u>
Investments:	
Global equities	1,185,243,117
Fixed income securities	485,734,561
Real estate	100,117,602
Alternative investments	345,894,857
Short-term investments/CRHBT	<u>819,867,642</u>
Total investments	2,936,857,779
Accounts receivable	1,051,990
Due from Internal Service Fund	20,286,398
Due from General Fund	<u>1,444,106</u>
Total assets	<u>2,959,640,273</u>
Liabilities	
Accounts payable	100,472
Claims payable	9,882,054
Due to General Fund	<u>413,504</u>
Total liabilities	<u>10,396,030</u>
Net Position	
Restricted for pension	2,174,464,179
Restricted for other postemployment benefits	<u>774,780,064</u>
Total net position	<u>\$ <u>2,949,244,243</u></u>

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

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 171,363,311
Members	69,348,781
Federal government - Medicare Part D	<u>41,969,225</u>
Total contributions	<u>282,681,317</u>
Investment earnings:	
Net increase (decrease) in fair value of investments	189,409,090
Interest and dividends	<u>21,936,396</u>
Total investment earnings	<u>211,345,486</u>
Less investment expense:	
Investment fees and other	<u>(11,028,746)</u>
Total investment expense	<u>(11,028,746)</u>
Net investment earnings	<u>200,316,740</u>
Total additions	<u>482,998,057</u>
DEDUCTIONS	
Benefits paid to plan members	271,212,458
Premiums paid to insurance companies	17,410,337
Administrative expenses	<u>5,042,412</u>
Total deductions	<u>293,665,207</u>
Change in net position	189,332,850
Net position - beginning	<u>2,759,911,393</u>
Net position - ending	<u><u>\$ 2,949,244,243</u></u>

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



NOTES TO THE FINANCIAL STATEMENTS

Board of Education of Montgomery County
June 30, 2023

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

<u>Note I</u>	Summary of Significant Accounting Policies
<u>Note II</u>	Budgetary Information
<u>Note III</u>	Deposits and Investments
<u>Note IV</u>	Interfund Receivables and Payables
<u>Note V</u>	Due from Employees
<u>Note VI</u>	Capital Assets
<u>Note VII</u>	Payables
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<u>Note X</u>	Fund Balance
<u>Note XI</u>	Risk Management
<u>Note XII</u>	Defined Benefit Pension Plans (GASB 68)
<u>Note XIII</u>	Defined Benefit Pension Plans (GASB 67)
<u>Note XIV</u>	Postemployment Healthcare Benefits (GASB 75)
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<u>Note XVI</u>	Trust Plans Condensed Financial Statements
<u>Note XVII</u>	Contingencies

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

The accompanying financial statements present the primary government, the Board, and its discretely presented component unit, the Montgomery County Public Schools Educational Foundation, Inc. (the Foundation). The Foundation is included in the reporting entity because of the financial benefits provided through it to the Board, and because the Board is considered to be financially accountable. The Foundation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Board. Since the Foundation adheres to the reporting conventions of the Financial Accounting Standards Board, and the Board's statements conform to GASB, adjustments were made for the timing of certain contributions and expenses.

The Foundation accepts grants and contributions from private organizations and individuals. All such funds received are used to enhance the Board's educational programs and to provide student scholarships. Complete financial statements can be obtained from the Associate Superintendent of Finance, Board of Education of Montgomery County, 850 Hungerford Drive, Room 167, Rockville, Maryland 20850.

B. BASIS OF PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Board and its component unit except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost data for functional activities reported in the total column of that statement. Governmental activities,

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial 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, buildings, and other major capital facilities.

The Board reports the following major proprietary funds:

- The food services fund accounts for the operations of 208 cafeterias and the central production facility, providing for the preparation and sale of meals to students, other agencies, and customers.
- The real estate management fund accounts for the rental of surplus space in school buildings for complementary programs such as child care, lessee arrangements for building space, and for the administration of potential future school sites.

Additionally, the Board reports the following fund types:

- The special revenue fund accounts for the use of Cable TV franchise fees that are legally restricted to expenditure for specific purposes.
- The internal service fund accounts for the financing of active employee health benefits provided to other funds of the government on a cost reimbursement basis.
- The pension and other employee benefits trust funds account for the activities of the Employees' Retirement and Pension System that accumulates resources for pension benefit payments to qualified employees, and the Board's interest in the Consolidated Retiree Health Benefit Trust (CRHBT) that accumulates resources for other postemployment benefits (OPEB).

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, real estate management, and nonmajor enterprise funds, as well as the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include cost of sales and services, administrative expenses, and depreciation and amortization 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 fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenue from U.S. Department of Agriculture (USDA) commodities is considered earned when the commodities are used. The value of unused USDA commodities is reported as unearned revenue. Employee, employer, and other contributing entities' contributions to the pension and other employee benefit trust funds are recognized as revenue in the period that the contributions are due. Pension and other postemployment benefits expenses and refunds are recognized when due and payable.

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 90 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 finance agreements payable, and expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from finance agreements payable are reported as other financing sources.

All funds of the Board follow GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The sources of authoritative GAAP are categorized first by officially established accounting principles under GASB Statements and then by GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants (AICPA) cleared by the GASB. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP, the Board then may consider nonauthoritative accounting literature from other sources. Sources of nonauthoritative accounting literature include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

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

D. USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

E. CASH AND INVESTMENTS

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

Pension Trust Fund investments consist of separate and comingled funds carried at fair value. Equity and bond securities are valued using the net asset value (NAV) per share (or its equivalent). The fair value of real estate investments, private equity, private debt, and hedge fund investments are also valued using the NAV, based on information provided by fund managers.

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

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

The Foundation invests in an external investment pool and publicly traded mutual funds. The Montgomery County Investment Pool invests funds for itself and participating agencies pursuant to the Annotated Code of Maryland, County Code, and the county's short-term investment policy as approved by the County Council. The fair value of the Board's position in the aforementioned pools is the same as the value of pool shares. The Foundation investment in Northern Trust publicly traded mutual funds is stated at fair value.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

F. INVENTORIES AND PREPAID ITEMS

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

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

G. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual cost of more than \$5,000 (\$1,000 for the Food Services Fund) for equipment and \$200,000 for buildings and structural additions, and an estimated useful life in excess of one year. Purchased or constructed capital assets are valued at cost where historic records exist and at estimated historic cost where no historic records exist. Donated capital assets are valued at acquisition value at the date of acquisition. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. Leased capital assets are recorded at the present value of future payments net of additional costs, incentives, or payments.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and structures	20-40
Improvements other than buildings	20-40
Furniture, fixtures, equipment, and machinery	5-12
Intangibles	3-20
Lease assets - buildings	20-40
Lease assets - vehicles	12

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net assets that applies to a future period and will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to a future period and will not be recognized as revenue until then. The Board has three items that meet the criterion described above. These are the deferrals of pension and OPEB expenses that result from the implementation of GASB Statements 68 and 75 and the deferred inflow of lease revenue from the implementation of GASB Statement 87.

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 of 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 30 or more years credited service receive 30% of earned, accumulated sick leave. Members of the Montgomery County Education Association (MCEA) receive 35% only if they submit retirement or termination notice by April 1, for an effective date of July 1. Otherwise, MCEA members will only receive 20% of their accumulated sick leave. Members of the Montgomery County Association of Administrators and Principals (MCAAP) receive 35% after 25 years of credited service if notice is given before March 1 for separation effective July 1, or 30% if separation is effective October 1. All annual and sick leave is accrued when earned in the government-wide and proprietary fund financial statements.

J. LONG-TERM OBLIGATIONS

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

K. FUND BALANCES

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

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

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Restricted—Amounts for which constraints have been placed on the use of the resource either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or, (b) imposed by law through constitutional provisions or enabling legislation. Special Revenue Fund resources are restricted to use for 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 County Council capital improvements program. These amounts cannot be used for any other purpose unless approved by the 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 their designee.

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

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

Details about the FY 2023 amounts for each of the classifications described above can be found on page 69 of the Notes to the Financial Statements.

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

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB expense, information about the fiduciary net position of the Pension and OPEB Plans (Plans), and additions to/deductions from their fiduciary net position have been determined on the same basis, as they are reported by Plans. For this purpose, benefit payments (including

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refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Board has adopted Statement No. 96, *Subscription-Based Information Technology Arrangements*, to better meet the informational needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements by governments. This standard requires the recognition of certain Subscription-Based Information Technology Arrangement liabilities for arrangements that previously were expensed. It establishes a single model for lease accounting based on the foundational principle that Subscription-Based Information Technology Arrangements are financings of the right to use an underlying asset.

The Board adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. There was no impact to beginning net position upon implementation.

M. PENDING PRONOUNCEMENTS

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

Statement No. 101, *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for financial statements starting with the fiscal year (FY) that ends June 30, 2025, FY 2025. The Board is currently evaluating the effect of implementation of this Statement.

II. BUDGETARY INFORMATION

A. OVERVIEW

The majority of current funding for the Board is provided by Montgomery County, the state of Maryland, and the federal government. Under Maryland school statutes, the Board's annual Operating Budget, incorporating general, special revenue, and enterprise funds is presented to the Montgomery County Executive and the County Council no later than March 1, and is to be appropriated by the County Council by May 31. In general, the county is then responsible to fund the budget as appropriated, to the extent that funds are not raised from other sources (e.g., state and federal government). The Board has no power to levy taxes or to spend funds not appropriated by the County Council. The budget is adopted by the Board of Education by June 30.

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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 objects of expenditure (e.g., salaries and wages, contractual services, supplies and materials) up to \$100,000. Transfers in excess of \$100,000 require the approval of the superintendent and the Board of Education; transfers between major state categories of expenditure (e.g., administration, instructional salaries), require the approval of the County Council. By state law, major categories of expenditure may not exceed budgeted amounts for the year ending June 30.

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

In the governmental funds for GAAP purposes, outstanding encumbrances are reported as a restricted, committed, or assigned category of fund balance because they do not constitute expenditures or liabilities. Encumbrances outstanding for the proprietary funds are eliminated for financial statement presentation. Annual appropriations that are not restricted, committed, or assigned at year-end lapse. Outstanding encumbrances at year-end are re-appropriated in the subsequent year.

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

B. BUDGETARY PRESENTATION

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

- Encumbrances outstanding are charged to budgetary appropriations in the current period.
- State of Maryland retirement contributions made on behalf of the Board employees are a legal obligation of the State, and are not included in the Board budget. The budget does include the portion of the costs associated with the Maryland State Retirement and Pension System that was shifted to local governments in 2012.
- Montgomery County OPEB contributions made to the CRHBT on behalf of the Board employees and retirees, are not included in the Board budget.
- Federal government Medicare Part D payments made to the CRHBT on behalf of the Board retired employees for postemployment prescription benefits are not included in the Board budget.
- Proceeds from finance agreements are accounted for as other financing sources for GAAP purposes.
- The revenues and expenses of student activity funds are included under GAAP.
- Lease financing is included as a capital outlay and other financing source for GAAP purposes.
- Subscription arrangements are included as capital outlays and other financing sources for GAAP purposes.
- Transfer out to capital projects is included as an other financing use for GAAP purposes.

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

	<u>Revenues</u>	<u>Expenditures & Encumbrances</u>	<u>Other Financing Sources (Uses)</u>	<u>Effect on Fund Balance</u>
As reported—budgetary basis	\$ 2,933,980,783	\$ 2,961,106,027	\$ -	\$ (27,125,244)
Reconciling items:				
2023 Encumbrances outstanding		(18,062,616)		18,062,616
State of Maryland retirement contributions	153,852,014	153,852,014		
Montgomery County OPEB contributions	(27,200,000)	(27,200,000)		
Federal Medicare Part D contributions	41,969,225	41,969,225		
Finance agreements payable		10,546,637	10,546,637	
Student activity funds	22,704,699	22,470,887		233,812
Lease financing		53,530,280	53,530,280	
Subscription arrangements		28,098,934	28,098,934	
Transfer out to capital projects			(750,000)	(750,000)
As reported—GAAP basis	<u>\$ 3,125,306,721</u>	<u>\$ 3,226,311,388</u>	<u>\$ 91,425,851</u>	<u>\$ (9,578,816)</u>

Governmental funds encumbrances outstanding at June 30, 2023, include \$18,062,616 for the General Fund. Encumbrances are considered expenditures for budgetary purposes, however are not considered liabilities or expenditures for GAAP purposes.

III. DEPOSITS AND INVESTMENTS

Cash and investments at June 30, 2023 are summarized as follows:

	<u>Primary Government (including fiduciary)</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 43,385,219	\$ -
Cash and cash equivalents	24,166,509	519,146
Investments – cash equivalents	48,421,133	9,312,934
Investments – fiduciary funds	2,936,857,779	
Total	<u>\$ 3,052,830,640</u>	<u>\$ 9,832,080</u>
Deposits and Investments Summary:		
Deposits	\$ 67,547,801	\$ 519,146
Investments	2,985,278,912	9,312,934
Cash on hand	3,927	
Total	<u>\$ 3,052,830,640</u>	<u>\$ 9,832,080</u>

A. DEPOSITS

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Board may not be able to recover all or a portion of the deposit. The Annotated Code of Maryland requires that public funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of 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.

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At June 30, 2023, the reported balance of the Board’s deposits was \$67,547,801 and the bank balance was \$67,561,861. 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, 2023 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Global equities index funds	\$ 1,185,243,117
Fixed income securities	485,734,561
Real estate	100,117,602
Alternative investments	345,894,857
Subtotal Pension Trust Investments	<u>2,116,990,137</u>
 OPEB Related Investments:	
Investment in CRHBT	<u>763,837,706</u>
Subtotal OPEB Related Investments	<u>763,837,706</u>
 Other Investments:	
Cash equivalents (Pension and Internal Service Fund)	104,451,069
Total Investments	<u>\$ 2,985,278,912</u>

Interest Rate Risk. The Board manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its fixed income investment portfolios. Internal pooled investments duration is limited to less than six months. The investment policy of the Centralized Investment Fund limits maturities to three years or less. The Pension Trust investment policy specifies that fixed income portfolio duration should track the Bloomberg Barclays Intermediate Aggregate Bond Index. During FY 2023, the investment portfolios were managed within the duration guidelines specified in each of the respective investment policies.

Duration estimates the sensitivity of a bond’s price to interest rate changes. The higher the duration of a bond, the greater its price volatility should be in response to changes in interest rates.

As of June 30, 2023, fixed income investments had the following sensitivity to interest rates:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration in Years</u>
Pension Trust Investments:		
Core fixed income	\$ 365,710,711	6.6
Other fixed income	120,023,850	2.3
Total	<u>\$ 485,734,561</u>	

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

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

Pension Trust fixed income investments at June 30, 2023, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed- Income Investments	Fair Value
AAA	40.3%	\$ 195,830,947
AA	13.1%	63,844,535
A	10.3%	50,071,792
BBB	14.9%	72,284,107
BB and below	19.8%	96,041,077
Not rated	1.6%	7,662,103
Total	<u>100.0%</u>	<u>\$ 485,734,561</u>

During FY 2023, individual holdings in the investment portfolios did not exceed policy guidelines. About \$6.3 million of the fixed income portfolio cannot be readily redeemed.

Foreign Currency Risk. The Pension Trust's exposure to foreign currency risk is derived from its investments in vehicles that have positions in securities denominated in foreign currencies. The Board's direct foreign currency risk at June 30, 2023, is as follows:

Currency	Fixed Income	Alternative Investments	Total Fair Value
Argentina Peso	\$ 106	\$ -	\$ 106
Australian Dollar	76,287		76,287
Canadian Dollar	115,997		115,997
Euro Currency Unit	249,457	5,172,416	5,421,873
Indonesian Rupiah	1,106,721		1,106,721
Japanese Yen	48,925		48,925
Mexican Peso	3,789,134		3,789,134
Pound Sterling	92,142		92,142
Total	<u>\$ 5,478,769</u>	<u>\$ 5,172,416</u>	<u>\$ 10,651,185</u>

Commitments. At June 30, 2023, unfunded commitments were \$149,314,057 to private equity funds, private debt funds and private real assets funds.

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

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

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The Board has the following recurring fair value measurements as of June 30, 2023:

Investments by Fair Value Level	June 30, 2023	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt Securities:				
US Treasuries Securities	\$ 16,706,778	\$ 16,706,778	\$ -	\$ -
US Agencies	28,984,266		28,984,266	
Asset Backed	3,883,809		3,883,809	
Corporate Bonds	36,923,493		34,611,344	2,312,149
Treasury Inflation Protected Securities	1,149,845	1,149,845		
Mortgage Backed Securities	4,529,900		4,405,907	123,993
International Government Bonds	5,654,048		5,654,048	
Others*	1,167,813			1,167,813
Futures Contracts	(125,242)	(125,242)		
Cash & Cash Equivalents*	107,459,377	104,588,604	1,986,682	884,091
Total Investment by Fair Value Level	\$ 206,334,087	\$ 122,319,985	\$ 79,526,056	\$ 4,488,046

Investments Measured at the NAV		Unfunded Commitments	Redemption Frequency	Redemption Received Period
Global Equities				
Commingled global equity funds	\$ 1,185,243,117	\$ -	Daily	Varies by fund
Fixed Income Securities				
Commingled bond funds	383,851,543		Daily or Monthly	Varies by fund
Real Assets				
Private real estate funds	100,117,602	33,684,658	Illiquid or Quarterly	60 days for quarterly redemption
Alternative Investments				
Private equity	229,183,031	89,119,549	Illiquid	
Private credit	38,781,980	26,509,850	Illiquid	
Hedge funds	77,929,846		Monthly, quarterly, or annual	30-90 days
Other Investments				
Investment in CRHBT	763,837,706			
Total Investments Measured at the NAV	2,778,944,825	\$ 149,314,057		
Total Investments	\$ 2,985,278,912			

* The cash or cash equivalents are invested in money market-type securities (U.S. Treasury Securities, Futures, cash, etc.) reported at cost plus accrued interest, which approximates market or fair value. Others are holdings mainly in non-leveled payables and receivables due to forward foreign exchange contract, etc.

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

- The objective of the commingled global equity funds is to provide exposure to economic growth and capture the equity risk premium. The investments consist of global stocks and shall be invested primarily in passively managed investment strategies designed to track the return of the following

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indexes: S&P 500 Index, Russell 2000 Index, MSCI EAFE Index, MSCI EAFE Small Cap Index, and MSCI Emerging Markets Equity Index. Characteristics of the portfolio include:

- Higher Expected Returns—Over the long-term, investments in equities (stocks) have delivered returns superior to those generated by fixed income.
- Dividends—Dividends paid by the companies in the portfolio generate an additional source of income.
- Volatility—Over the long-term, equity returns exhibit a wider range of outcomes, both positive and negative.
- Liquidity—The size and activity of Global Equity markets allows the Pension Trust to raise cash with relative ease.

The global equity funds also have a smaller active component, with three separate managers. One of which is benchmarked to the MSCI World benchmark, the other two benchmarked to the MSCI ACWI benchmark.

For the commingled global equity funds, the Redemption notification date varies from T-4 to T, and the settlement date varies from T+1 to T+5.

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

- Principal Protection—The amount invested by the pension is typically at a lower degree of risk relative to amounts invested in other types of assets.
- Income—Bonds typically pay interest which could provide cash income to the pension.
- Lower Expected Returns—While bonds provide multiple benefits, the expected returns are generally not as high as those offered by other asset categories.
- Liquidity—The market for investment grade bonds is generally large and active, which allows the pension's investment managers to sell assets with relative ease if an unexpected need for cash arises.

For the commingled bond funds, the Redemption notification date varies from 30 days to T-2, and the settlement date varies from T+2 to T+30.

Private Real Estate. The fair value of the investments of these types has been determined using the NAV per share. This type includes investments in limited partnerships and commingled funds with the quarterly redemption term and 60 days advance notice required. Private real estate is expected to provide the pension portfolio with a degree of inflation protection and to exhibit a low correlation to other investment strategies. Private real estate can also offer a steady source of income, which could provide cash to the pension. The investment return of this portfolio is expected to be somewhere between the returns of the

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core fixed income and global equity portfolios. It is expected to meet or exceed the NCREIF Fund Index-ODCE (Open-End Diversified Core Equity).

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

- Private equity funds generally invest money in companies whose shares are not publicly traded on a stock exchange, or in companies with publicly traded securities that the private equity firm intends to take private by acquiring all of the public securities. Private equity managers are active investors who typically play a significant role in the operations of their portfolio companies. Private equity funds are illiquid and long-term in nature, thus investors expect to receive a return greater than those available in the public equity market. Private equity investments may have a broader range of outcomes than public equities. The return on the total private equity allocation is expected to meet or exceed the Russell 3000 Index plus a 200 basis point premium net of fees. Comparing private equity returns to a public equity index will naturally result in large performance differences in the short and medium term. As the private equity benchmark, the Russell 3000 + 200 basis points is used as a long-term performance tool.
- Private debt is the investment of capital to acquire the debt of private companies (as opposed to acquiring equity). Private debt is not traded or issued in an open market. Private debt managers have multiple levers to create value: interest and fees, buying low and selling high (multiple arbitrage), restructuring a company and using leverage. Returns are generated through capital appreciation and current income. The objective of the Pension Trust's private debt portfolio is to complement the broader credit portfolio with higher returns due to illiquidity and complexity premium, diversify the risk/return profile via a wide range of underlying collateral types, and income generation through contractual yield. The private debt portfolio will consist of higher yielding corporate, physical (excluding real estate), or financial assets held within a private "lock-up" fund partnership structure. The return on the total private debt portfolio is expected to meet or exceed the Credit Suisse Leveraged Loans Index plus 200 basis points.
- Hedge funds invest across multiple assets and markets taking long and short positions. A long position is one in which the investor benefits if the price of the asset increases. A short position is one in which the investor generates a return from asset price declines. A hedge fund can specialize in particular niches including different geographies, security types (debt, equity, currencies, and derivatives), market directions, and macroeconomic catalysts. Most hedge fund managers focus on performing comprehensive research to identify securities they believe are mispriced. As a whole, the objective of the Pension Trust's hedge fund portfolio is to provide superior risk-adjusted returns and/or exhibit low correlation relative to the traditional asset classes. The return on the total hedge fund allocation is expected to meet or exceed the HFRI Fund of Funds Composite Index.

C. CASH ON HAND

At June 30, 2023, the primary government had \$3,927 on hand in petty cash accounts.

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IV. INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions that are due *from* other funds are reported below as "Funds Reflecting a Receivable" and the amounts due *to* other funds are reported below as "Funds Reflecting a Payable." These amounts are owed between the Board's governmental and proprietary funds within the Board reporting entity. An example of interfund transactions is when the Board's General Fund processes payments for other Board funds. The amounts of interfund receivables and payables for each of the funds below can be found on the balance sheets on pages 36, 41, and 108 of this report. The composition of interfund receivables and payables as of June 30, 2023, is as follows:

Funds Reflecting a Receivable	Funds Reflecting a Payable							Total
	General	Capital Projects	Instructional TV	Food Services	Real Estate	Field Trip	Entrepreneurial	
General	\$ -	\$ 57,038,740	\$ -	\$ -	\$ -	\$ 1,018,235	\$ 7,545,442	\$ 65,602,417
Capital Projects			7,636	995,780	1,108,727			2,112,143
Instructional TV	571,807							571,807
Food Services	12,779,081							12,779,081
Real Estate	387,345			3,061				390,406
Field Trip		11,804		1,721	86,035			99,560
Entrepreneurial		335,866	29	406,078	1,660	3,577		747,210
Internal Service	3,179,102							3,179,102
Total	\$ 16,917,335	\$ 57,386,410	\$ 7,665	\$ 1,406,640	\$ 1,196,422	\$ 1,021,812	\$ 7,545,442	\$ 85,481,726

V. DUE FROM EMPLOYEES

The \$38,312 reported as due from employees on the Governmental Funds Balance Sheet arose from past transition to a unified pay cycle calendar for twelve-month employees. Repayment is made from final paychecks when employees separate from active employment with the Board.

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VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable capital assets:				
Land	\$ 113,117,160	\$ -	\$ -	\$ 113,117,160
Construction in Progress	222,111,168	338,426,648	211,222,607	349,315,209
Total nondepreciable capital assets	<u>335,228,328</u>	<u>338,426,648</u>	<u>211,222,607</u>	<u>462,432,369</u>
Depreciable capital assets:				
Buildings and improvements	4,249,333,304	175,758,320	18,373,433	4,406,718,191
Land improvements	517,742,006	28,192,909		545,934,915
Machinery and equipment	219,418,710	7,362,742	4,368,501	222,412,951
Lease assets - buildings	33,132,014	53,530,280	839	86,661,455
Lease assets - vehicles	12,964,546		7,074	12,957,472
Subscription asset		31,789,174		31,789,174
Total depreciable capital assets	<u>5,032,590,580</u>	<u>296,633,425</u>	<u>22,749,847</u>	<u>5,306,474,158</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	1,637,187,889	112,861,619	11,148,498	1,738,901,010
Land improvements	118,931,100	8,886,592		127,817,692
Machinery and equipment	124,005,688	15,561,589	4,314,539	135,252,738
Lease assets - buildings	1,211,074	2,177,622		3,388,696
Lease assets - vehicles	914,167	996,230		1,910,397
Subscription asset		4,110,272		4,110,272
Total accumulated depreciation and amortization	<u>1,882,249,918</u>	<u>144,593,924</u>	<u>15,463,037</u>	<u>2,011,380,805</u>
Total depreciable capital assets, net	<u>3,150,340,662</u>	<u>152,039,501</u>	<u>7,286,810</u>	<u>3,295,093,353</u>
Government activities capital assets, net	<u>\$ 3,485,568,990</u>	<u>\$ 490,466,149</u>	<u>\$ 218,509,417</u>	<u>\$ 3,757,525,722</u>
Business-Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Machinery and equipment	\$ 23,351,195	\$ 511,577	\$ 94,200	\$ 23,768,572
Lease assets - buildings	161,281,632			161,281,632
Total depreciable capital assets	<u>184,632,827</u>	<u>511,577</u>	<u>94,200</u>	<u>185,050,204</u>
Less accumulated depreciation and amortization for:				
Machinery and equipment	17,722,159	1,185,504	88,209	18,819,454
Lease assets - buildings	2,042,531	4,485,563		6,528,094
Total accumulated depreciation and amortization	<u>19,764,690</u>	<u>5,671,067</u>	<u>88,209</u>	<u>25,347,548</u>
Business-type activities capital assets, net	<u>\$ 164,868,137</u>	<u>\$ (5,159,490)</u>	<u>\$ 5,991</u>	<u>\$ 159,702,656</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
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Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Regular instruction	\$ 106,383,196
Special education	138,993
Student transportation	14,755,695
Operation of plant	2,587,711
Maintenance of plant	16,478,635
Administration	4,238,842
Community services	10,852
Total depreciation and amortization expense-governmental activities	<u>\$ 144,593,924</u>

Business-Type Activities:

Food services	\$ 1,169,133
Real estate management	4,485,563
Entrepreneurial	16,371
Total depreciation and amortization expense business type activities	<u>\$ 5,671,067</u>

Commitments for ongoing construction in progress at June 30, 2023, are \$260,255,114.

VII. PAYABLES

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Payable	\$ 71,294,477	\$ 3,719,835	\$ 75,014,312
Retainage Payable	19,591,617		19,591,617
Accrued Salaries and Withholdings	77,633,835		77,633,835
Claims Payable	35,773,560		35,773,560
Due to Employees-advance Premium Withholding	9,162,207		9,162,207
Total Accounts Payable and Other Current Liabilities	<u>\$ 213,455,696</u>	<u>\$ 3,719,835</u>	<u>\$ 217,175,531</u>

VIII. LEASES

A. LESSEE

The Board leases buses as well as office space for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2057 and the office space provides for renewal options after 10 years.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the agreement.

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Total future minimum lease payments under lease agreements are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2024	\$ 2,071,028	\$ 1,351,880	\$ 1,660,632	\$ 2,249,321
2025	1,908,030	1,319,309	1,779,049	2,218,722
2026	1,917,974	1,292,263	1,895,056	2,192,579
2027	2,015,649	1,263,977	2,014,759	2,164,761
2028	2,113,121	1,237,664	2,132,397	2,141,081
2029–2033	12,194,404	5,676,435	12,679,365	10,174,453
2034 and thereafter	74,143,079	15,048,622	136,683,511	28,199,937
Total minimum lease payments	<u>\$ 96,363,285</u>	<u>\$ 27,190,150</u>	<u>\$ 158,844,769</u>	<u>\$ 49,340,854</u>

Lease assets acquired through outstanding leases are shown below, by underlying asset class.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Building	\$ 86,661,455	\$ 161,281,632
Equipment	12,957,472	
Less: Accumulated amortization	(5,299,093)	(6,528,094)
Total	<u>\$ 94,319,834</u>	<u>\$ 154,753,538</u>

B. LESSOR

The Board, acting as lessor, leases cell towers and facility space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2043 and provide for renewal options ranging from one year to 15 years. During the year ended June 30, 2023, the Board recognized \$2,962,329 and \$369,922 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the agreement.

Total future minimum lease payments to be received under lease agreements are as follows:

	<u>Business-Type Activities</u>	
	Principal	Interest
2024	\$ 2,464,282	\$ 387,525
2025	2,484,680	348,918
2026	2,275,616	313,343
2027	2,061,036	281,315
2028	2,100,237	249,875
2029–2033	8,574,451	818,171
2034 and thereafter	5,999,558	293,073
Total Minimum lease payments	<u>\$ 25,959,860</u>	<u>\$ 2,692,220</u>

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IX. LONG-TERM LIABILITIES

Long-term liability activities during FY 2023 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:									
Finance agreements payable	\$ 60,921,919	\$	21,664,786	\$	29,655,476	\$	52,931,229	\$	19,533,121
Compensated absences(*)	182,906,782		15,404,312		10,317,310		187,993,784		10,262,500
Lease liability	44,708,713		53,530,280		1,875,708		96,363,285		2,071,028
Subscription liability			28,098,934		4,653,130		23,445,804		3,988,635
Net pension liability(*)	99,777,369		402,774,772				502,552,141		
Net OPEB liability(*)	<u>2,827,843,426</u>		<u>46,078,927</u>		<u>788,473,342</u>		<u>2,085,449,011</u>		
Total	\$ 3,216,158,209	\$	<u>567,552,011</u>	\$	<u>834,974,966</u>	\$	<u>2,948,735,254</u>	\$	<u>35,855,284</u>
	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Business-Type Activities:									
Finance agreements payable	\$ 483,279	\$	415,714	\$	299,941	\$	599,052	\$	203,619
Compensated absences	3,061,060		274,435		217,249		3,118,246		197,221
Lease liability	<u>160,402,595</u>				<u>1,557,826</u>		<u>158,844,769</u>		<u>1,660,632</u>
Total	\$ 163,946,934	\$	<u>690,149</u>	\$	<u>2,075,016</u>	\$	<u>162,562,067</u>	\$	<u>2,061,472</u>

* Compensated absences, net pension liability and net OPEB liability are generally liquidated by the General Fund.

A. FINANCE AGREEMENTS PAYABLE

Under a master lease arrangement, the Board acquires school buses, vehicles, technology and other equipment under noncancelable finance agreements that expire at various times through FY 2028. Finance agreement payments, including interest, in FY 2023 were \$31,692,988 for Governmental funds (\$17,627,503 for the General Fund, \$13,753,753 for the Capital Projects Fund), and \$311,732 for the Business-Type Activities.

Assets acquired through finance agreements are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>
Vehicles and equipment	\$ 161,625,878	\$	2,653,706
Less: accumulated depreciation	(110,969,332)		(2,171,168)
Total	<u>50,656,546</u>	\$	<u>482,538</u>

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Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Fiscal year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 19,533,120	\$ 1,575,807	\$ 203,620	\$ 19,598
2025	16,503,466	1,043,824	152,019	13,876
2026	10,544,744	571,706	157,226	8,669
2027	4,547,891	237,986	86,187	3,281
2028	1,802,011	73,866		
Total minimum lease payments	\$ 52,931,232	\$ 3,503,189	\$ 599,052	\$ 45,424

\$31,713,956 of outstanding finance agreement obligations for governmental activities at June 30, 2023, were used to acquire capital assets. None of the outstanding finance agreement obligations for business-type activities at June 30, 2023, were used to acquire capital assets.

B. SUBSCRIPTION ARRANGEMENTS

The Board has entered into several subscription-based information technology arrangements to finance the purchase of human resources systems, enterprise resource planning systems, and a student information system that expires at various times through 2030. Total future minimum subscription payments under subscription arrangements are as follows:

	Governmental Activities	
	Principal	Interest
2024	\$ 3,988,635	\$ 644,448
2025	4,042,408	515,174
2026	4,259,228	380,773
2027	4,483,167	239,292
2028	2,126,139	145,427
2029-2033	4,546,227	74,427
Total minimum payments	\$ 23,445,804	\$ 1,999,541

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X. FUND BALANCE

A. GOVERNMENTAL FUNDS

Fund Balance as of June 30, 2023, consists of the following:

Fund Balances:	General	Instructional TV	Total Governmental Funds
Nonspendable:			
Inventories	\$ 8,069,004	\$ -	\$ 8,069,004
Prepays	693,256		693,256
Total Nonspendable	<u>8,762,260</u>		<u>8,762,260</u>
Restricted for:			
Instructional TV program		536,717	536,717
Total Restricted	<u>-</u>	<u>536,717</u>	<u>536,717</u>
Assigned for:			
Subsequent Year's Budget	25,000,000		25,000,000
Student Activity Funds	17,277,289		17,277,289
Encumbrances:			
Administrative	5,803,712		5,803,712
Instructional	6,666,036		6,666,036
Operation of Plant	5,592,868		5,592,868
Total Encumbrances	<u>18,062,616</u>	<u>-</u>	<u>18,062,616</u>
Total Assigned	<u>60,339,905</u>	<u>-</u>	<u>60,339,905</u>
Unassigned	8,225,109		8,225,109
Total Fund Balances	<u>\$ 77,327,274</u>	<u>\$ 536,717</u>	<u>\$ 77,863,991</u>

B. PROPRIETARY FUNDS

The Food Services Fund ended the year with a positive net position. However, the Field Trip, Real Estate Management, and Entrepreneurial Funds net position as of June 30, 2023, were negative. The reasons for the deficits in FY 2023 were largely related to a severe decrease in revenues related to COVID-19 without an offsetting decrease in expenses. The deficits will be eliminated in future years by reducing expenditures to align with new revenue figures.

XI. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or students; natural disasters; and employee health benefits. The Board participates in the Montgomery County Liability and Property Coverage Self-Insurance Program. Under this program, the Board receives coverage for general liability, workers' compensation, public official liability, property, and motor vehicle risks, generally up to a maximum of \$400,000 per claim. The Board's premium payments to the fund are an actuarially determined reflection of the covered risks. The Board purchases commercial insurance for claims in excess of coverage by the self-insurance program and for other risks not covered by the program. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years. There was no significant reduction in insurance coverage from the prior year in any major risk category.

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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. The Board funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note XIV). Claims payable of \$35,773,560 and \$9,882,054 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2023, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in claims payable for fiscal years 2023 and 2022 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2023				
Internal Service Fund	\$ 23,475,108	\$ 381,231,503	\$ (368,933,051)	\$ 35,773,560
Fiduciary Funds	7,159,121	142,732,240	(140,009,307)	9,882,054
Total	<u>\$ 30,634,229</u>	<u>\$ 523,963,743</u>	<u>\$ (508,942,358)</u>	<u>\$ 45,655,614</u>
2022				
Internal Service Fund	\$ 26,371,985	\$ 345,171,166	\$ (348,068,043)	\$ 23,475,108
Fiduciary Funds	8,044,280	123,942,135	(124,827,294)	7,159,121
Total	<u>\$ 34,416,265</u>	<u>\$ 469,113,301</u>	<u>\$ (472,895,337)</u>	<u>\$ 30,634,229</u>

XII. DEFINED BENEFIT PENSION PLANS (GASB 68)

Substantially all of the Board's employees working at least four hours a day in an approved job classification are covered under one of two mandatory defined benefit retirement plans. One is a cost-sharing multi-employer type plan administered by the Maryland State Retirement and Pension System (MSRPS); and one is a single-employer plan, the Board Employees' Retirement and Pension System, administered by the Board. The board withdrew from the Maryland Employee's Retirement and Pension Systems plan in FY 2022 after a 40 year payout of amortized liability amounts. For the year ended June 30, 2023, the pension expense for that fund was \$6,187,782. Aggregate pension expense for the year ended June 30, 2023 was \$231,381,062.

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 under the plan are a member of the Teachers' 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

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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 publicly available financial report that can be obtained at <https://sra.maryland.gov>.

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

A member of the Teachers' 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 the Teachers' 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 the Teachers' 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' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning on July 1, 2011, any new member of the Teachers' Pension System earns an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

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

Contribution. The Board and covered members are required by state statute to contribute to the System. Members of the Teachers' Pension System are required to contribute 7% of salary annually. Members of

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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, 2023, was \$153,852,014. The FY 2023 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, 2023, was \$78,856,533.

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

TEACHERS' RETIREMENT AND PENSION SYSTEMS

At June 30, 2023, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The state of Maryland pays the unfunded liability for the Board, therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the state of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Board were as follows:

State's proportionate share of the net pension liability associated with the Board	\$ 1,426,880,551
The Board's proportionate share of the net pension liability	<u>-</u>
Total	<u>\$ 1,426,880,551</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2023, the Board recognized pension expense of \$153,852,014 and revenue of \$153,852,014 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.

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Actuarial Assumptions. The total pension liability in the June 30, 2022, 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	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including inflation
Investment rate of return	6.80%
Discount Rate	6.80%
Mortality rates	Mortality fully generational-Pub-2010/MP-2018

The economic and demographic actuarial assumptions used in the June 30, 2022, valuation were adopted by the System’s Board of Trustees based upon a review of the System’s experience study for the period 2014–2018, which was completed during FY 2019. Certain assumptions from the experience study including investment return, inflation, Cost-of-Living Adjustment (COLA) increases, mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2022.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34%	6.0%
Private Equity	16	8.4
Rate Sensitive	21	1.2
Credit Opportunity	8	4.9
Real Assets	15	5.2
Absolute Return	6	3.5
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, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was (2.97)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate. The Single Discount Rate (SDR) used to measure the total pension liability was 7.40%. This SDR was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this SDR assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan

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investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

B. THE BOARD PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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 (10 years for employees hired after June 30, 2011) of creditable service. For employees hired after June 30, 2011, plan benefit changes were made, as follows:

- The core benefit multiplier was reduced from 1.8% to 1.5%.
- Normal service retirement eligibility was changed to either the Rule of 90 or 65 years with 10 years of service. Early retirement eligibility was changed to age 60 with 15 years of service.

At July 1, 2021, the date of the latest actuarial report for employer reporting, the Board's plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	14,476
Terminated plan members entitled to benefits but not yet receiving them	8,114
Active plan members	24,223
Total	46,813

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Contributions. Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5% and 7.5%, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board. Administrative costs are financed through investment earnings. The Board's actuarially determined contribution rate as a percentage of covered payroll for FY 2022 was 4.68%.

NET PENSION LIABILITY

The Board's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. It was as follows:

Total pension liability		\$	2,539,582,525
Plan fiduciary net position			(2,037,030,384)
Net pension liability			502,552,141

Plan fiduciary net position as a percentage of the total pension liability: 80.21%

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

Valuation date	July 1, 2021
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation	2.50%
Salary increases	2.50% to 13.50%, including inflation
Investment rate of return	6.75% net of investment expense, including inflation
Retirement age	Experience-based table of rates
Mortality	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Post-retirement Healthy Lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.
Cost of living adjustment	2.50% compound for ERS retirees and 2.50% simple for original pension plan retirees. 2.35% compound for service before July 1, 2011, and 1.85% compound for service after July 1, 2011, for enhanced pension plan retirees.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2022, are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed income	21.5%	4.8%
Global Equities	50.0	9.1
Alternatives	26.5	9.5
Cash & Cash Equivalents	2.0	2.9
Total	100%	

* Expected inflation: 2.5%

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. The discount rate and investment rate of return changed in FY 2022 from 7.00% to 6.75%. 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.

CHANGES IN THE NET PENSION LIABILITY

	Increase (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/2021	\$ 2,377,844,339	\$ 2,278,066,970	\$ 99,777,369
Changes for the year			
Service cost	57,827,229		57,827,229
Interest	164,309,274		164,309,274
Differences between expected and actual experience	(13,595,604)		(13,595,604)
Changes of assumptions	73,214,317		73,214,317
Contributions – employer		70,507,843	(70,507,843)
Contributions – employee		26,478,722	(26,478,722)
Net Investment Income		(220,145,882)	220,145,882
Benefit payments, including refunds of employee contributions	(120,017,030)	(120,017,030)	
Other		2,139,761	(2,139,761)
Net Changes	161,738,186	(241,036,586)	402,774,772
Balances as of 6/30/2022	\$ 2,539,582,525	\$ 2,037,030,384	\$ 502,552,141

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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 6.75%, as well as what the Board’s net pension liability would be if it were calculated using a discount rate that is 1.0% lower (5.75%) or 1.0% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 831,635,341	\$ 502,552,141	\$ 228,429,401

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2022 was (8.7)%. 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, 2023, the Board recognized pension expense of \$71,341,266. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience measurement date	\$ 12,657,252	\$ 40,981,214
Changes in assumptions	100,082,556	92,887,657
Net difference between projected and actual earnings on investments	153,464,635	
Board contributions subsequent to the measurement date	70,737,660	
Total	\$ 336,942,103	\$ 133,868,871

Board contributions of \$70,737,660 reported as deferred outflows of resources subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2024. 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 ending June 30:	
2024	\$ 40,758,565
2025	32,049,706
2026	(12,372,500)
2027	57,315,068
2028	6,756,826
Thereafter	7,827,907
Total	\$ 132,335,572

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XIII. DEFINED BENEFIT PENSION PLANS (GASB 67)

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

GENERAL INFORMATION ABOUT THE PENSION PLAN

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

At July 1, 2022, the date of the latest actuarial report, the Board’s plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	14,793
Terminated plan members entitled to benefits but not yet receiving them	9,384
Active plan members	24,317
Total	48,494

Contributions. Plan members are required by resolution to contribute to the plan. Effective July 1, 2011, plan members contribute for the supplemental benefit, and the combined core and supplemental benefit 0.5% and 7.5%, respectively, of their salary to the plan. The Board is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board. Administrative costs are financed through investment earnings. The Board actuarially determined contribution rate as a percentage of covered payroll for FY 2023 was 4.68%.

NET PENSION LIABILITY

Beginning of year total pension liability is based on the Board’s actuarial valuation date of July 1, 2022, and a measurement date of June 30, 2022. The end of year total pension liability based on the Board’s actuarial valuation date of July 1, 2022, with the results rolled forward to a measurement date of June 30, 2023 is as follows:

Total pension liability	\$ 2,653,613,578
Plan fiduciary net position	(2,174,464,179)
Net pension liability	\$ 479,149,399
Plan fiduciary net position as a percentage of the total pension liability:	81.94%

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

Valuation date	July 1, 2022
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation	2.50%
Salary increases	2.50% to 13.50%, including inflation
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Experience-based table of rates
Mortality	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Post-retirement Healthy Lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.
Cost of Living Adjustment	2.50% compound for ERS retirees and 2.50% simple for original pension plan retirees. 2.35% compound for service before July 1, 2011, and 1.85% compound for service after July 1, 2011, for enhanced pension plan retirees.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2022, then rolled forward to June 30, 2023, including any changes made to the roll forward. The actuarial assumption used in this valuation was based on the results of prior actuarial experience study completed as of June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building–block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rate of return for each major asset class included in the pension plan’s target asset allocation of June 30, 2023, are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed income	21.5%	5.4%
Global Equities	50.0	8.9
Alternatives	26.5	9.7
Cash & Cash Equivalents	2.0	3.4
Total	<u>100%</u>	

* Expected inflation: 2.7%

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. 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 6/30/2022	\$ 2,539,582,525	\$ 2,037,030,384	\$ 502,552,141
Changes for the year			
Service cost	62,405,497		62,405,497
Interest	169,228,211		169,228,211
Differences between expected and actual experience	10,877,563		10,877,563
Contributions – employer		70,737,660	(70,737,660)
Contributions – employee		30,833,315	(30,833,315)
Net Investment Income		169,049,855	(169,049,855)
Benefit payments, including refunds of employee contributions	(128,480,218)	(128,480,218)	
Pension plan administrative expense		(1,197,671)	1,197,671
Other		(3,509,146)	3,509,146
Net Changes	114,031,053	137,433,795	(23,402,742)
Balances as of 6/30/2023	<u>\$ 2,653,613,578</u>	<u>\$ 2,174,464,179</u>	<u>\$ 479,149,399</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Board calculated using the discount rate of 6.75%, as well as what the Board’s net pension liability would be if it were calculated using a discount rate that is 1.0% lower (5.75%) or 1.0% higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net Pension Liability	\$ 819,711,304	\$ 479,149,399	\$ 195,394,126

Rate of Return on Investments. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2023 was 8.4%. 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.

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XIV. POSTEMPLOYMENT HEALTHCARE BENEFITS (GASB 75)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description. The OPEB Plan is a single-employer defined benefit healthcare plan funded and administered by the Board. Employees receiving a Board approved retirement are eligible, in accordance with bargaining agreements between the Board and employee associations, for continued healthcare coverage if they have been covered under the Board Employee Benefit Plan for at least five years, (10 years for employees hired after July 1, 2011). Terminated employees are not eligible to participate in the plan. The OPEB Plan provides medical, dental, vision, prescription drug, and life insurance benefits for retirees and their dependents. Authority to establish and amend benefit provisions resides with the Board. Separate financial statements for the OPEB Plan are not available.

Benefit Provided. The Board offers single employer plans including Cigna Open Access Plus Point of Service (POS), Cigna Open Access Plus In-Network Health Maintenance Organization HMO, Kaiser HMO, Caremark Prescription Drugs (Option A or B), Kaiser Prescription Drugs, CareFirst Dental, Aetna Dental Maintenance Organization 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’s 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, 2021, the date of the latest actuarial valuation:

Inactive Plan Members with Medical Coverage	10,503
Active Plan Members	<u>24,223</u>
Total	<u>34,726</u>

Funding Policy. The Board has the authority to establish and amend contribution requirements of the plan members and the Board. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36% and the Board contributes 64% toward the current cost of healthcare benefits. Effective for employees hired July 1, 2011, and for certain employees hired as of July 1, 2006, a tiered contribution structure is in effect, with the Board contribution levels of 40, 50, or 64%, respectively, based on years of service. During FY 2022, plan members and beneficiaries receiving benefits contributed \$40,761,969 (approximately 24.0% of current contributions)). The Board and other contributing entities’

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contributed \$128,768,234 (approximately 76.0% of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

Effective July 1, 2011, the County Council enacted legislation (Bill No. 17-11) to create a CRHBT that expanded the county OPEB Trust to include the Board employees. Beginning in FY 2012, and for each fiscal year thereafter, the Board’s annual contribution toward funding amortization of the actuarial accrued liability has been made by the County Council directly to the CRHBT rather than to the Board’s OPEB Plan Trust. In FY 2022 the County Council contributed \$73,048,269 and recorded as on behalf of the Board employees. In FY 2023 the County Council contributed \$57,424,677 and recorded as on behalf of the Board employees.

The CRHBT is an agent multiple-employer defined benefit healthcare plan sponsored by the county. Other agencies and political subdivisions have the right to elect participation. The Board of Trustees has the exclusive authority to manage the assets of the CRHBT. The Board of Trustees consists of nineteen trustees and functions as part of the county. Separate financial statements are issued for the CRHBT.

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the Board are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NET OPEB LIABILITY

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. The net OPEB liability should be measured as of the OPEB plan’s most recent fiscal year end. The components of the Plan’s net OPEB liability as of June 30, 2022, were as follows:

Total OPEB liability	\$	2,808,330,020
Plan fiduciary net position		(722,881,009)
Net OPEB liability	\$	2,085,449,011
Plan fiduciary net position as a percentage of the total OPEB liability:		25.74%

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, then rolled forwarded using the SDR which is based on the assumed 7.50% long-term rate of return for projected benefits paid before the crossover year and the municipal bond index rate for projected benefits paid after the crossover year with using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	2.50%
Salary increases	2.50% to 13.50%, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates
Health care cost trend rates	Initial trend rates of 8.50% for Rx, 8.00% for medical, decreasing to an ultimate trend rate of 4.25%, 4.25% dental trend rate, 3.25% vision trend rate
Mortality	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP- 2018. Post-retirement healthy lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.

The total OPEB liability shown is based on an actuarial valuation performed as of July 1, 2021, and a measurement date of June 30, 2022. 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 the adopted asset allocation policy as of June 30, 2022, by the CRHBT’s Board. The long-term expected rate of return on CRHBT plan investments was determined by the county using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2022, (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	18.25%	2.20%
International Equities	10.00	3.00
Emerging Market Equities	5.10	5.90
Global Equities	4.65	3.30
Private Equity	8.00	5.80
Credit Opportunities	2.00	4.20
High Yield Bonds	7.50	0.80
Emerging Market Debt	2.50	1.70
Directional Hedge Funds	2.50	1.80
Long Duration Fixed Income	9.50	(0.60)
Cash	1.00	(0.90)
Diversifying Hedge Funds	2.50	1.70
Global ILs/Gold	16.50	2.50
Private Real Assets	5.00	4.40
Public Real Assets	5.00	2.90
Total	<u>100.00%</u>	

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Discount Rate. An SDR of 5.52% was used to measure the total OPEB liability as of June 30, 2022. The SDR was based on an expected rate of return on OPEB plan investments of 7.50% and a 20-year municipal bond rate of 3.69%. The projection of cash flows used to determine this SDR assumes that for contributions until FY 2034, the county and the Board will contribute the greater of: (1) the Annual Required Contribution less \$27.2 million, and, (2) the projected net benefit payments. For contributions during FY 2034 and after, the county and the Board will contribute the Annual Required Contribution amount calculated in the actuarial valuation.

By comparison, the SDR as of June 30, 2021, was 3.93%, based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 1.92%.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at 6/30/2021	\$ 3,596,803,362	\$ 768,959,936	\$ 2,827,843,426
Changes for the year			
Service cost	155,942,782		155,942,782
Interest	143,070,402		143,070,402
Differences between expected and actual experience	(250,869,087)		(250,869,087)
Contributions - employer		94,655,970	(94,655,970)
Medicare Part D subsidies		34,112,264	(34,112,264)
Contributions - employee		40,761,969	(40,761,969)
Net Investment Income		(72,599,688)	72,599,688
Benefit payments, including refunds of employee contributions	(67,763,264)	(142,637,497)	74,874,233
Administrative expense		(371,945)	371,945
Assumption changes	(768,854,175)		(768,854,175)
Net Changes	(788,473,342)	(46,078,927)	(742,394,415)
Balance as of 6/30/2022	\$ 2,808,330,020	\$ 722,881,009	\$ 2,085,449,011

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 5.52%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (4.52%) or 1.0% higher (6.52%) than the current rate:

	<u>1% Decrease (4.52%)</u>	<u>Discount Rate (5.52%)</u>	<u>1% Increase (6.52%)</u>
Net OPEB liability	\$ 2,543,869,962	\$ 2,085,449,011	\$ 1,715,229,820

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 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 1,653,023,877	\$ 2,085,449,011	\$ 2,641,895,867

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Rate of Return on Investments. The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, for FY 2022 was (8.30)%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

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

For the year ended June 30, 2023, the Board recognized OPEB expense of \$125,277,883. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,310,719	\$ 544,260,178
Changes in assumptions	398,216,454	769,957,773
Net difference between projected and actual earnings on OPEB plan investments at measurement date	48,715,663	
Board contributions subsequent to the measurement date	142,594,876	
Total	\$ 643,837,712	\$ 1,314,217,951

Board contributions of \$142,594,876 reported as deferred outflows of resources subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ending June 30:	
2024	\$ (115,231,635)
2025	(115,105,841)
2026	(108,498,670)
2027	(66,315,818)
2028	(91,214,039)
Thereafter	(316,609,112)
Total	\$ (812,975,115)

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XV. POSTEMPLOYMENT HEALTHCARE BENEFITS (GASB 74)

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

GENERAL INFORMATION ABOUT THE OPEB PLAN

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

Plan membership consisted of the following at July 1, 2022, the date of the latest actuarial valuation:

Inactive Plan Members with Medical Coverage	10,630
Active Plan Members	24,317
Total	34,947

Contributions. The Board has the authority to establish and amend contribution requirements of the plan members and the Board. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36% and the Board contributes 64% toward the current cost of healthcare benefits. Effective for employees hired July 1, 2011, and for certain employees hired as of July 1, 2006, a tiered contribution structure is in effect, with the Board contribution levels of 40, 50, or 64% respectively based on years of service. During FY 2023, plan members and beneficiaries receiving benefits contributed \$38,515,466 (approximately 21.3% of current contributions). The Board and other contributing entities contributed \$181,110,342 (approximately 78.7% of current contributions) for current premiums, claims, and administrative expenses. Administrative costs are financed through investment earnings.

NET OPEB LIABILITY

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. The net OPEB liability should be measured as of the OPEB plan’s most recent fiscal year end. The components of the Plan’s net OPEB liability as of June 30, 2023, were as follows:

Total OPEB liability	\$ 2,795,831,781
Plan fiduciary net position	(774,780,064)
Net OPEB liability	\$ 2,021,051,717
Plan fiduciary net position as a percentage of the total OPEB liability:	27.71%

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, then rolled forwarded using the SDR which is based on the assumed 7.50% long-term rate of return for projected benefits paid before the crossover year and the municipal bond index rate for projected benefits paid after the crossover year with using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Market Value
Inflation rate	2.50%
Salary increases	2.50% to 13.50%, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates
Health care cost trend rates	Initial trend rates of 8.5% for Rx, 8.0% for medical, decreasing to an ultimate trend rate of 4.25%, 4.25% dental trend rate, 3.25% vision trend rate
Mortality	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP- 2018. Post-retirement healthy lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.

The total OPEB liability shown is based on an actuarial valuation performed as of July 1, 2022, and a measurement date of June 30, 2023. Update procedures were used to roll forward the total OPEB liability to the OPEB plan’s fiscal year end.

Discount Rate. An SDR of 5.66% was used to measure the total OPEB liability as of June 30, 2023. The SDR was based on an expected rate of return on OPEB plan investments of 7.50% and a 20-year municipal bond rate of 3.86%. The projection of cash flows used to determine this SDR assumes that for contributions until FY 2035, the county and the Board will contribute the greater of: 1) the Annual Required Contribution less \$27.2 million, and, 2) the projected net benefit payments. For contributions during FY 2035 and after, the county and the Board will contribute the Annual Required Contribution amount calculated in the actuarial valuation.

By comparison, the SDR as of June 30, 2022, was 3.93%, based on an expected rate of return on OPEB plan investments of 7.50% and a municipal bond rate of 3.69%.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decreases)		Net OPEB Liability (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances at 6/30/2022	\$ 2,808,330,020	\$ 722,881,009	\$ 2,085,449,011
Changes for the year			
Service cost	101,120,548		101,120,548
Interest	155,604,230		155,604,230
Differences between expected and actual experience	(194,747,641)		(194,747,641)
Contributions - employer		100,625,651	(100,625,651)
Medicare Part D subsidies		41,969,225	(41,969,225)
Contributions - employee		38,515,466	(38,515,466)
Net Investment Income		31,266,885	(31,266,885)
Benefit payments, including refunds of employee contributions	(79,657,886)	(160,142,577)	80,484,691
Administrative expense		(335,595)	335,595
Assumption changes	5,182,510		5,182,510
Net Changes	(12,498,239)	51,899,055	(64,397,294)
Balance as of 6/30/2023	\$ 2,795,831,781	\$ 774,780,064	\$ 2,021,051,717

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 5.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (4.66%) or 1.0% higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Discount Rate (5.66%)	1% Increase (6.66%)
Net OPEB liability	\$ 2,474,858,014	\$ 2,021,051,717	\$ 1,654,306,485

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 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 1,592,219,645	\$ 2,021,051,717	\$ 2,572,179,379

Rate of Return on Investments. The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, for FY 2023 was 3.93%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the changing amounts actually invested.

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

XVI. TRUST PLANS CONDENSED FINANCIAL STATEMENTS

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

CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 2,174,464,179	\$ 785,176,094	\$ 2,959,640,273
Total assets	2,174,464,179	785,176,094	2,959,640,273
Liabilities:			
Total liabilities		10,396,030	10,396,030
Net Position:			
Restricted for pension and other postemployment benefits	\$ 2,174,464,179	\$ 774,780,064	\$ 2,949,244,243

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 101,570,975	\$ 181,110,342	\$ 282,681,317
Net investment earnings	169,049,855	31,266,885	200,316,740
Total additions	270,620,830	212,377,227	482,998,057
Deductions:			
Benefit and premium payments	128,480,218	160,142,577	288,622,795
Administrative expenses	4,706,817	335,595	5,042,412
Total deductions	133,187,035	160,478,172	293,665,207
Change in net position	137,433,795	51,899,055	189,332,850
Net position – beginning	2,037,030,384	722,881,009	2,759,911,393
Net position – ending	\$ 2,174,464,179	\$ 774,780,064	\$ 2,949,244,243

BOARD OF EDUCATION OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

XVII. CONTINGENCIES

Litigation. The Board, in the normal course of its operations, is subject to lawsuits and claims. While the outcome of these matters is uncertain, the Board believes that any losses not otherwise covered by insurance, which may ultimately be incurred as a result of lawsuits and claims, will not have a material adverse effect on the Board financial condition.

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

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

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



Students Perform at Marching Band Showcase



REQUIRED SUPPLEMENTARY INFORMATION

Board of Education of Montgomery County
June 30, 2023

BOARD OF EDUCATION OF MONTGOMERY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023

Fiscal Year Ending	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	\$ 62,405,497	\$ 57,827,229	\$ 57,102,963	\$ 54,379,440	\$ 51,411,385
Interest	169,228,211	164,309,274	158,332,579	163,070,418	155,248,918
Benefit Changes			(1,537,714)		
Difference between Actual & Expected, if any	10,877,563	(13,595,604)	(13,117,169)	(13,391,489)	8,963,079
Assumption Changes		73,214,317		(163,012,720)	
Benefit Payments	(128,480,218)	(120,017,030)	(111,635,349)	(108,552,381)	(102,247,449)
Refund					
Net Change in Total Pension Liability	<u>114,031,053</u>	<u>161,738,186</u>	<u>89,145,310</u>	<u>(67,506,732)</u>	<u>113,375,933</u>
Total Pension Liability -Beginning	2,539,582,525	2,377,844,339	2,288,699,029	2,356,205,761	2,242,829,828
Total Pension Liability -Ending (a)	<u>\$ 2,653,613,578</u>	<u>\$ 2,539,582,525</u>	<u>\$ 2,377,844,339</u>	<u>\$ 2,288,699,029</u>	<u>\$ 2,356,205,761</u>
Plan Fiduciary Net Position					
Contribution -Employer	70,737,660	70,507,843	70,919,230	86,941,255	88,769,344
Contribution -Employee	30,833,315	26,478,722	25,715,329	25,526,536	24,951,070
Net Investment Income	169,049,855	(220,145,882)	461,878,831	20,090,221	79,565,869
Benefit Payments	(128,480,218)	(120,017,030)	(111,635,349)	(108,552,381)	(102,247,449)
Refund					
Admin Expense	(1,197,671)		(380,559)	(1,166,352)	(1,475,279)
Other	(3,509,146)	2,139,761			
Net change in Plan Fiduciary Net Position	<u>137,433,795</u>	<u>(241,036,586)</u>	<u>446,497,482</u>	<u>22,839,279</u>	<u>89,563,555</u>
Plan Fiduciary Net Position -Beginning	2,037,030,384	2,278,066,970	1,831,569,488	1,808,730,209	1,719,166,654
Plan Fiduciary Net Position -Ending (b)	<u>\$ 2,174,464,179</u>	<u>\$ 2,037,030,384</u>	<u>\$ 2,278,066,970</u>	<u>\$ 1,831,569,488</u>	<u>\$ 1,808,730,209</u>
Net Pension Liability -Ending (a-b)	<u>\$ 479,149,399</u>	<u>\$ 502,552,141</u>	<u>\$ 99,777,369</u>	<u>\$ 457,129,541</u>	<u>\$ 547,475,552</u>
Plan Fiduciary Net Position as a Percentage of					
Total Pension Liability	81.94%	80.21%	95.80%	80.03%	76.76%
Covered Payroll	\$ 1,796,823,567	\$ 1,760,070,058	\$ 1,706,582,045	\$ 1,630,158,866	\$ 1,600,129,357
Net Pension Liability as a Percentage of Covered Payroll	26.67%	28.55%	5.85%	28.04%	34.21%

Fiscal Year Ending	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 50,395,825	\$ 44,436,725	\$ 43,500,877	\$ 53,269,208	\$ 53,238,295
Interest	146,658,956	141,159,580	135,814,794	123,895,167	120,371,102
Benefit Changes					
Difference between Actual & Expected, if any	31,406,064		(22,132,062)	(18,234,988)	(47,593,419)
Assumption Changes	132,086,081			93,368,251	
Benefit Payments	(95,135,058)	(90,109,676)	(85,230,639)	(81,971,251)	(76,147,472)
Refund					
Net Change in Total Pension Liability	<u>265,411,868</u>	<u>95,486,629</u>	<u>71,952,970</u>	<u>170,326,387</u>	<u>49,868,506</u>
Total Pension Liability -Beginning	1,977,417,960	1,881,931,331	1,809,978,361	1,639,651,974	1,589,783,468
Total Pension Liability -Ending (a)	<u>\$ 2,242,829,828</u>	<u>\$ 1,977,417,960</u>	<u>\$ 1,881,931,331</u>	<u>\$ 1,809,978,361</u>	<u>\$ 1,639,651,974</u>
Plan Fiduciary Net Position					
Contribution -Employer	79,863,596	65,877,870	74,861,086	83,498,517	80,544,815
Contribution -Employee	24,323,349	23,749,197	22,949,001	22,486,721	21,578,300
Net Investment Income	124,868,624	172,942,114	(3,391,963)	26,441,619	179,375,231
Benefit Payments	(95,135,058)	(90,109,676)	(85,230,639)	(81,971,251)	(76,147,472)
Refund					
Admin Expense	(1,209,068)	(1,151,736)	(2,012,071)	(2,217,291)	(2,163,665)
Other					
Net change in Plan Fiduciary Net Position	<u>132,711,443</u>	<u>171,307,769</u>	<u>7,175,414</u>	<u>48,238,316</u>	<u>203,187,209</u>
Plan Fiduciary Net Position -beginning	1,586,455,213	1,415,147,444	1,407,972,029	1,359,733,714	1,156,546,505
Plan Fiduciary Net Position -Ending (b)	<u>\$ 1,719,166,656</u>	<u>\$ 1,586,455,213</u>	<u>\$ 1,415,147,444</u>	<u>\$ 1,407,972,029</u>	<u>\$ 1,359,733,714</u>
Net Pension Liability -Ending (a-b)	<u>\$ 523,663,172</u>	<u>\$ 390,962,746</u>	<u>\$ 466,783,888</u>	<u>\$ 402,006,332</u>	<u>\$ 279,918,260</u>
Plan Fiduciary Net Position as a Percentage of					
Total Pension Liability	76.65%	80.23%	75.20%	77.79%	82.93%
Covered Payroll	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
Net Pension Liability as a Percentage of Covered Payroll	33.50%	26.62%	32.74%	28.12%	20.13%

This schedule meets the requirement to show information for 10 years.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 YEAR ENDED JUNE 30, 2023

FY Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 1,639,651,974	\$ 1,359,733,714	\$ 279,918,260	82.93 %	\$ 1,390,868,330	20.13 %
2015	1,809,978,361	1,407,972,029	402,006,332	77.79	1,429,764,138	28.12
2016	1,881,931,331	1,415,147,443	466,783,888	75.20	1,425,722,698	32.74
2017	1,977,417,960	1,586,455,212	390,962,748	80.23	1,468,494,379	26.62
2018	2,242,829,828	1,719,166,655	523,663,173	76.65	1,563,346,475	33.50
2019	2,356,205,761	1,808,730,209	547,475,552	76.76	1,600,129,357	34.21
2020	2,288,699,029	1,831,569,488	457,129,541	80.03	1,630,158,866	28.04
2021	2,377,844,339	2,278,066,970	99,777,369	95.80	1,706,582,045	5.85
2022	2,539,582,525	2,037,030,384	502,552,141	80.21	1,760,070,058	28.55
2023	2,653,613,578	2,174,464,179	479,149,399	81.94	1,796,823,567	26.67

This schedule meets the requirement to show information for 10 years.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2023

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 79,016,414	\$ 80,544,815	\$ (1,528,401)	\$ 1,390,868,330	5.79 %
2015	44,295,412	83,498,517	(39,203,105)	1,429,764,138	5.84
2016	58,384,555	74,861,086	(16,476,531)	1,425,722,698	5.25
2017	59,762,674	65,877,870	(6,115,196)	1,468,494,379	4.49
2018	58,627,379	79,863,596	(21,236,217)	1,563,346,475	5.11
2019	73,119,150	88,769,344	(15,650,194)	1,600,129,357	5.55
2020	73,016,807	86,941,255	(13,924,448)	1,630,158,866	5.33
2021	61,688,473	70,919,230	(9,230,757)	1,706,582,045	4.16
2022	62,184,996	70,507,843	(8,322,847)	1,760,070,058	4.01
2023	65,436,134	70,737,660	(5,301,526)	1,796,823,567	3.94

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Measurement date	7/1/2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Open (Closed Period for Plan Changes)
Remaining amortization period	15 years for non-plan changes, initial period of 30 years for the 2006 and 2010 plan changes (15 years remaining for the 2006 plan change and 19 years for the 2010 plan change), initial period of 15 years for the 2020 plan change (14 years remaining)
Asset valuation method	5 year smoothing
Investment rate of return	6.75%, net of investment expense, including inflation
Projected salary increases	2.50% to 13.50%, including inflation
Inflation	2.50%
Retirement age	Experience-based table of rates.
Mortality rates	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Post-Retirement healthy lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.
Cost-of-living adjustment	2.50% compound for ERS retirees and 2.50% simple for original pension plan retirees. 2.35% compound for service before July 1, 2011 and 1.85% compound for service after July 1, 2011 for enhanced pension plan retirees.

This schedule meets the requirement to show information for 10 years.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
 YEAR ENDED JUNE 30, 2023

Fiscal year ending June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actual money weighted rate of return, net of investment expense	8.4%	(8.7)%	24.7%	1.2%	4.9%	7.8%	11.9%	(0.02)%	2.20%	15.75%

This schedule meets the requirement to show information for 10 years.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE BOARD PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employees' Retirement and Pension Systems									
Board's proportion of the net pension liability (asset)	0.000000000%	0.000000000%	0.03343730%	0.03324940%	0.03280980%	0.03042730%	0.03027640%	0.02665060%	0.02295670%
Board's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ 7,557,285	\$ 6,857,901	\$ 6,842,058	\$ 6,579,513	\$ 7,143,423	\$ 5,538,451	\$ 4,074,064
Board's covered payroll									
Board's proportionate share of the net pension liability (asset as a percentage of its covered payroll)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as of a percentage of the total pension liability	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%
Teachers' Retirement and Pension Systems									
Board's proportion of the net pension liability (asset)	0.000000000%	0.000000000%	0.000000000%	0.000000000%	0.000000000%	0.000000000%	0.000000000%	0.000000000%	0.000000000%
State's proportionate share of the net pension liability (asset) associated with the Board	\$ 1,426,880,551	\$ 1,080,747,616	\$ 1,721,734,917	\$ 1,661,983,738	\$ 1,618,273,835	\$ 1,757,492,373	\$ 1,871,367,674	\$ 1,522,877,235	\$ 1,115,879,101
Board's covered payroll	1,760,070,058	1,706,582,045	1,630,158,866	1,600,129,357	1,563,346,475	1,468,494,379	1,425,722,698	1,429,764,138	1,390,868,330
Board's proportionate share of the net pension liability (asset as a percentage of its covered payroll)	81.07%	63.33%	105.62%	103.87%	103.51%	119.68%	131.26%	106.51%	80.23%
Plan fiduciary net position as of a percentage of the total pension liability	79.47%	85.40%	73.84%	74.43%	73.35%	71.41%	67.95%	70.76%	69.53%
Methods and assumptions used to determine contribution rates:									
Valuation date	6/30/2021								
Measurement date	6/30/2022								
Actuarial cost method	Entry Age Normal								
Amortization method	Level percent of payroll closed								
Investment rate of return	6.80%								
Discount rate	6.80%								
Salary increases	2.75% to 11.25%, including wage inflation								
Inflation	2.25% general, 2.75% wage								
Mortality rates	Mortality fully generational - Pub - 2010/MP-2018								

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

Note 2 - Changes in Assumptions - Were the result of an FY 2021 experience review. Discount rate and investment rate of return were reduced to 6.80% for FY 2021.

Note 3 - This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE BOARD CONTRIBUTIONS
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 YEAR ENDED JUNE 30, 2023

<u>Employees' Retirement and Pension Systems</u>	Fiscal Year Ending				
	2023	2022	2021	2020	2019
Contractually required contribution	\$ -	\$ -	\$ -	\$ 716,916	\$ 682,777
Contributions in relation to the contractually required contribution				716,916	682,777
Contribution deficiency (excess)	-	-	-	-	-
 <u>Teachers' Retirement and Pension Systems</u>					
Contractually required contribution	61,727,304	61,908,257	\$ 61,086,328	\$ 60,354,730	\$ 58,560,510
Contributions in relation to the contractually required contribution	61,727,304	61,908,257	61,086,328	60,354,730	58,560,510
Contribution deficiency (excess)	-	-	-	-	-
Board's covered payroll	\$ 1,796,823,567	\$ 1,760,070,058	\$ 1,706,582,045	\$ 1,630,158,866	\$ 1,600,129,357
Contributions as a percentage of covered payroll	3.44%	3.52%	3.58%	3.70%	3.66%

<u>Employees' Retirement and Pension Systems</u>	Fiscal Year Ending				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 650,264	\$ 619,299	\$ 589,809	\$ 561,723	\$ 534,974
Contributions in relation to the contractually required contribution	650,264	619,299	589,809	561,723	534,974
Contribution deficiency (excess)	-	-	-	-	-
 <u>Teachers' Retirement and Pension Systems</u>					
Contractually required contribution	\$ 58,672,664	\$ 59,762,674	\$ 58,384,555	\$ 44,295,412	\$ 79,016,414
Contributions in relation to the contractually required contribution	58,672,664	59,762,674	58,384,555	44,295,412	79,016,414
Contribution deficiency (excess)	-	-	-	-	-
Board's covered payroll	\$ 1,563,346,475	\$ 1,468,494,379	\$ 1,425,722,698	\$ 1,429,764,138	\$ 1,390,868,330
Contributions as a percentage of covered payroll	3.75%	4.07%	4.10%	3.10%	5.68%

This schedule meets the requirement to show information for 10 years.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023

Fiscal Year Ending	2023	2022	2021	2020	2019
Total OPEB Liability					
Service Cost	\$ 101,120,548	\$ 155,942,782	\$ 131,125,105	\$ 109,249,061	\$ 104,162,538
Interest	155,604,230	143,070,402	138,193,669	151,919,286	153,797,183
Benefit Changes					
Difference between Actual & Expected, if any	(194,747,641)	(250,869,087)	69,057,445	(269,627,645)	(73,824,566)
Assumption Changes	5,182,510	(768,854,175)	246,037,722	28,494,417	169,486,009
Benefit Payments, including refunds of employee contributions	(79,657,886)	(67,763,264)	(55,866,601)	(59,609,650)	(83,877,327)
Net Change in Total OPEB Liability	(12,498,239)	(788,473,342)	528,547,340	(39,574,531)	269,743,837
Total OPEB Liability -Beginning	2,808,330,020	3,596,803,362	3,068,256,022	3,107,830,553	2,838,086,716
Total OPEB Liability -Ending (a)	<u>\$ 2,795,831,781</u>	<u>\$ 2,808,330,020</u>	<u>\$ 3,596,803,362</u>	<u>\$ 3,068,256,022</u>	<u>\$ 3,107,830,553</u>
Plan Fiduciary Net Position					
Contribution -Employer	100,625,651	94,655,970	106,594,397	115,201,749	62,667,044
Contribution -Nonemployer entities					
Medicare Part D subsidies	41,969,225	34,112,264	31,293,901	26,546,554	22,561,041
Contributions-member	38,515,466	40,761,969	41,581,285	42,290,716	38,743,969
Net Investment Income	31,266,885	(72,599,688)	149,472,797	21,895,304	34,845,670
Benefit Payments, including refunds of employee contributions	(160,142,577)	(142,637,497)	(128,741,787)	(128,446,920)	(122,621,296)
Admin Expense	(335,595)	(371,945)	(198,248)	(187,904)	(194,702)
Other				1,304	
Net change in Plan Fiduciary Net Position	51,899,055	(46,078,927)	200,002,345	77,300,803	36,001,726
Plan Fiduciary Net Position -beginning	722,881,009	768,959,936	568,957,591	491,656,788	455,655,062
Plan Fiduciary Net Position -Ending (b)	<u>\$ 774,780,064</u>	<u>\$ 722,881,009</u>	<u>\$ 768,959,936</u>	<u>\$ 568,957,591</u>	<u>\$ 491,656,788</u>
Net OPEB Liability -Ending (a-b)	<u>\$ 2,021,051,717</u>	<u>\$ 2,085,449,011</u>	<u>\$ 2,827,843,426</u>	<u>\$ 2,499,298,431</u>	<u>\$ 2,616,173,765</u>
Plan Fiduciary Net Position as a Percentage of					
Total OPEB Liability	27.71%	25.74%	21.38%	18.54%	15.82%
Covered Employee Payroll (c)	\$ 1,801,195,400	\$ 1,764,352,468	\$ 1,710,734,313	\$ 1,634,125,189	\$ 1,600,129,357
Net OPEB Liability as a Percentage of Covered Employee Payroll	112.21%	118.20%	165.30%	152.94%	163.50%
Fiscal Year Ending					
	2018	2017			
Total OPEB Liability					
Service Cost	\$ 88,364,530	\$ 125,216,637			
Interest	157,630,126	146,230,235			
Benefit Changes					
Difference between Actual & Expected, if any	(216,455,378)				
Assumption Changes	203,760,125	(270,838,727)			
Benefit Payments, including refunds of employee contributions	(72,763,620)	(70,432,337)			
Net Change in Total OPEB Liability	160,535,784	(69,824,192)			
Total OPEB Liability -Beginning	2,677,550,932	2,747,375,124			
Total OPEB Liability -Ending (a)	<u>\$ 2,838,086,716</u>	<u>\$ 2,677,550,932</u>			
Plan Fiduciary Net Position					
Contribution -Employer	90,580,304	96,333,627			
Contribution -Nonemployer entities					
Medicare Part D subsidies	21,197,806	18,725,635			
Contributions-member	39,875,875	37,315,988			
Net Investment Income	31,492,272	36,233,300			
Benefit Payments, including refunds of employee contributions	(112,639,495)	(107,748,325)			
Admin Expense	(207,208)	(292,732)			
Other					
Net change in Plan Fiduciary Net Position	70,299,554	80,567,493			
Plan Fiduciary Net Position -beginning	385,355,507	304,788,014			
Plan Fiduciary Net Position -Ending (b)	<u>\$ 455,655,060</u>	<u>\$ 385,355,507</u>			
Net OPEB Liability -Ending (a-b)	<u>\$ 2,382,431,656</u>	<u>\$ 2,292,195,425</u>			
Plan Fiduciary Net Position as a Percentage of					
Total OPEB Liability	16.06%	14.39%			
Covered Employee Payroll (c)	\$ 1,563,346,475	\$ 1,546,150,104			
Net OPEB Liability as a Percentage of Covered Employee Payroll	152.32%	148.25%			

Notes to Schedule:

This 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, 2023

FY Ending June 30	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Employee Payroll	Net OPEB Liability as a % of Covered Employee Payroll
2017	\$ 2,677,550,932	\$ 385,355,507	\$ 2,292,195,425	14.39 %	\$ 1,546,150,104	148.25 %
2018	2,838,086,716	455,655,062	2,382,431,654	16.06	1,563,346,475	152.39
2019	3,107,830,553	491,656,788	2,616,173,765	15.82	1,600,129,357	163.50
2020	3,068,256,022	568,957,591	2,499,298,431	18.54	1,634,125,189	152.94
2021	3,596,803,362	768,959,936	2,827,843,426	21.38	1,710,734,313	165.30
2022	2,808,330,020	722,881,009	2,085,449,011	25.74	1,764,352,468	118.20
2023	2,795,831,781	774,780,064	2,021,051,717	27.71	1,801,195,400	112.21

This 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, 2023

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Employee Payroll
2017	\$ 136,339,000	\$ 115,059,262	\$ 21,279,738	\$ 1,546,150,104	7.44 %
2018	168,287,000	111,778,110	56,508,890	1,563,346,475	7.15
2019	159,436,200	85,228,085	74,208,115	1,600,129,357	5.33
2020	154,363,013	141,748,303	12,614,710	1,634,125,189	8.67
2021	142,970,371	137,888,298	5,082,073	1,710,734,313	8.06
2022	149,523,526	128,768,234	20,755,292	1,764,352,468	7.30
2023	179,387,383	142,594,876	36,792,507	1,801,195,400	7.92

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, 2021
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll, Open
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Salary increases	2.50% to 13.50%, including inflation
Retirement ages	Experience-based table of rates.
Mortality rates	Pre-retirement: Pub-2010 Employee mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Post-retirement healthy lives: Pub-2010 Healthy Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018. Disabled Lives: Pub-2010 Disabled Retiree mortality table (for General Employees), sex distinct, with generational mortality improvements from 2010 using scale MP-2018.
Health care trend rates	Trend rates of 8.50% for RX, 8.00% for medical, decreasing to an ultimate trend rate of 4.25%, 4.25% dental trend rate, 3.25% vision trend rate.

This 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, 2023

Fiscal year ending June 30	2023	2022	2021	2020	2019	2018	2017
Actual money weighted rate of return, net of investment expense	3.93%	(8.30)%	26.09%	4.69%	8.26%	8.82%	11.99%

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



SUPPLEMENTARY DATA

Board of Education of Montgomery County
June 30, 2023

GOVERNMENTAL FUNDS

June 30, 2023

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 944,962,545	\$ 721,823,574	\$ 412,589,113	\$ (309,234,461)
State of Maryland	44,173,880	311,060,031	10,357,428	(300,702,603)
Federal	1,900,724	2,524,482	623,758	(1,900,724)
Other sources	<u>2,429,044</u>	<u>2,429,044</u>	<u> </u>	<u>(2,429,044)</u>
 Total revenues	 993,466,193	 1,037,837,131	 423,570,299	 (614,266,832)
 Expenditures and encumbrances:				
Capital outlay	<u>993,466,193</u>	<u>1,037,837,131</u>	<u>424,320,299</u>	<u>613,516,832</u>
 Total expenditures and encumbrances	 <u>993,466,193</u>	 <u>1,037,837,131</u>	 <u>424,320,299</u>	 <u>613,516,832</u>
 Excess of revenues over expenditures and encumbrances	 -	 -	 (750,000)	 (750,000)
 Other financing sources:				
Transfers in	<u> </u>	<u> </u>	<u>750,000</u>	<u>750,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>750,000</u>
 Excess of revenues and other financing sources 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:				
2023 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, 2023

Award Number	Project Name	Project Authorization	Expended to Jun 30, 2023	Committed	Available for Future Expenditure
000000	Unliquidated Surplus for Local Funds	\$ 2,103,138	\$ -	\$ -	2,103,138
006503	Water and Indoor Air Quality Improvements Local Funding	73,521	72,000		1,521
016532	Fire Safety Code Upgrades Local Funding	5,605,328	3,318,192	786,130	1,501,006
036510	Technology Modernization Local Funding	13,174,243		718,105	12,456,138
056501	Restroom Renovations Local Funding	16,412,259	12,654,747	3,197,905	559,607
076506	Building Modifications and Program Improvements Local Funding	26,756,723	18,583,321	3,042,742	5,130,660
096500	Brookhaven Elementary School Local Funding	5,654,103	5,651,311		2,792
096503	Harmony Hills Elementary School Local Funding	5,448,741	5,448,741		
096506	Rock View Elementary School Local Funding	5,443,385	5,062,386		380,979
116505	Clarksburg High School Local Funding	10,607,437	10,607,437		
116506	Clarksburg/Damascus Middle School (New)	48,014,000	48,010,222		3,778
116509	Somerset Elementary School Addition 2011	1,475,114	1,341,155		133,959
116510	Viers Mill Elementary School Addition 2013	10,836,865	10,836,865		
116512	Westbrook Elementary School Addition 2013	9,737,000	9,704,686		32,314
116513	Wyngate Elementary School Addition 2013	336,000	336,000		
136500	Arcola Elementary School Local Funding	3,841,000	3,682,279		158,721
136502	Bethesda-Chevy Chase Middle School #2 2017	54,114,000	54,096,140		17,860
136510	Modifications to Holding, Special Education & Alternative Schools Local	276			276
651502	S. Christa McAuliffe ES Addition 2019	10,653,590	10,649,829	3,761	
651503	North Bethesda MS Addition 2018	21,298,000	21,056,694	1,625	239,681
651504	Lucy V Barnsley ES Addition 2018	13,924,000	13,683,710		240,290
651505	Kensington-Parkwood ES Addition 2018	10,080,243	10,080,243		
651510	Diamond Elementary School Addition 2018	9,147,000	9,130,738		16,262
651513	Bethesda-Chevy Chase HS Addition 2018	41,692,000	41,687,800	4,200	
651514	Ashburton ES Addition 2019	10,944,000	10,751,744		192,256
651515	Blair Ewing Center Improvements 2018	264,203	264,093		110
651518	Gaithersburg ES Addition 2020	38,086,707	38,063,529	20,645	2,533
651704	Walt Whitman High School Addition 2021	30,577,000	29,389,511		1,187,489
651705	Thomas W. Pyle MS Addition 2020	25,114,000	25,029,870	84,130	
651706	Takoma Park MS Addition 2020	25,186,000	23,742,233	12,085	1,431,682
651708	Pine Crest ES Addition 2020	8,623,000	8,621,455	1,545	
651709	Montgomery Knolls ES Addition 2020	10,605,000	10,084,635		520,365
651713	Clarksburg Cluster ES (Village Site #2) 2019	32,824,030	31,846,756		977,274
651801	Outdoor Play Maintenance 2019-20	1,470,642	568,919	628,717	273,006
651901	Clarksburg Cluster ES #9 - New	45,501,000	39,313,951	5,417,710	769,339
651904	Ronald McNair ES Addn - Local Funding	14,403,000	13,154,591	292,276	956,133
651905	DuFief ES Addition/Facility Upgrade 2022	2,762,000	1,571,567		1,190,433
651906	John F Kennedy HS Addition 2022	26,578,000	25,231,955	279,400	1,066,645
651907	Northwood HS Addition/Upgrades	27,140,000	5,188,222	1,531,960	20,419,818
651908	Charles W. Woodward HS Re-Opening	181,095,000	96,929,759	32,954,377	51,210,864
651909	Crown High School - New	6,306,000	4,537,959	1,764,746	3,295
651910	Odessa Shannon MS Addition/Upgrade 2021	62,864,000	59,810,026	2,417,211	636,763
651911	Parkland MS Addition Local Funding	18,238,000	11,716,954	3,939,394	2,581,652
651912	Silver Spring International MS Addition 2022	23,140,000	2,517,918	15,809,992	4,812,090
652001	Highland View Elementary School Addition	16,775,000	131,720	657,256	15,986,024
652101	Major Capital Projects	185,214,000	138,954,728	36,829,923	9,429,349
652102	Major Capital Projects-Secondary	233,061,000	82,055,316	110,800,740	40,204,944
652105	W. T. Page ES Addition - Local Funding	25,168,000	12,243,771	6,358,502	6,565,727
652107	Westbrook ES Addition Local Funding	4,391,000	817,786	6,450	3,566,764
652201	JoAnn Leleck ES at Broad Acres Local Funding	31,557,000	427,254	2,233,610	28,896,136
652301	Burtonsville ES Addition - Local Funding	550,000			550,000
652302	Greencastle ES Addition - Local Funding	1,550,000	318,791	713,389	517,820
652303	Early Childhood Center - Local Funding	4,000,000			4,000,000
652304	Emergency Replacement of Major Building Components - Local Funding	1,362,200			1,362,200
652306	Sustainability Initiatives FY2023 - Local Funding	4,776,882		96,150	4,680,732
746032	Design and Construction Management Local Funding	1,128,674		18,336	1,110,338
766995	Roof Replacement Local Funding	53,708,782	30,509,697	9,474,358	13,724,727
796222	Energy Conservation Local Funding	1,388,510	700,000		688,510
796235	ADA Compliance Local Funding	12,748,074	4,407,952	723,800	7,616,322
816633	HVAC Replacement Local Funding	131,086,880	63,021,602	4,312,925	63,752,353
816695	Asbestos Abatement Local Funding	690,737		127,629	563,108
846540	Relocatable Classrooms Local Funding	7,261,242		3,818,288	3,442,954
876544	Stadium Lighting Local Funding	9,121			9,121
896586	Planned Life Cycle Asset Replacement Local Funding	31,887,109	14,006,136	9,208,610	8,672,363
916587	Rehab/Renovation of Closed Schools Local Funding	41,287,796	40,912,104	19,039	356,653
926557	School Security Local Funding	34,588,769	20,683,479	760,970	13,144,320
926575	Current Replacements/Modernizations Local Funding	646,119,358	638,484,365	258,206	7,376,787
956547	Educational Technology (Global Access)	12			12
956550	Stormwater Management	670,718	323,981	32,795	313,942
966553	Facility Planning Local Funding	2,837,250		449,057	2,388,193
975051	Improved (Safe) Access to Schools Local Funding	10,558,334	6,748,463	446,425	3,363,446
Total Open & Interim Projects		2,402,525,976	1,788,777,288	260,255,114	353,493,574
Capitalized land, equipment and furniture, and items not capitalized		(42,959,248)	(42,959,248)		
Interim closing of open projects **		(1,396,502,831)	(1,396,502,831)		
Total construction in progress		\$ 963,063,897	\$ 349,315,209	\$ 260,255,114	\$ 353,493,574

* 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, 2023.
** 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, 2023

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,769,775	\$ 1,769,775	\$ 1,769,775	\$ -
Total revenues	<u>-</u>	<u>1,769,775</u>	<u>1,769,775</u>	<u>1,769,775</u>	<u>-</u>
Expenditures and encumbrances:					
Community services	<u>116,518</u>	<u>1,886,293</u>	<u>1,886,293</u>	<u>1,868,511</u>	<u>17,782</u>
Total expenditures and encumbrances	<u>116,518</u>	<u>1,886,293</u>	<u>1,886,293</u>	<u>1,868,511</u>	<u>17,782</u>
Excess of expenditures and encumbrances over revenues	(116,518)	(116,518)	(116,518)	(98,736)	17,782
Fund balance - beginning	<u>116,518</u>	<u>116,518</u>	<u>116,518</u>	<u>635,453</u>	<u>518,935</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536,717</u>	<u>\$ 536,717</u>
Reconciliation to GAAP fund balance:					
2023 encumbrances outstanding				<u>\$ -</u>	
Fund balance - GAAP basis				<u>\$ 536,717</u>	

NONMAJOR ENTERPRISE FUNDS

June 30, 2023

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, 2023

	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Accounts receivable	\$ 246,660	\$ 6,267,829	\$ 6,514,489
Due from other funds	99,560	747,210	846,770
Total current assets	<u>346,220</u>	<u>7,015,039</u>	<u>7,361,259</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation:			
Machinery and equipment	<u>-</u>	28,565	28,565
Total noncurrent assets	<u>-</u>	<u>28,565</u>	<u>28,565</u>
Total assets	<u>346,220</u>	<u>7,043,604</u>	<u>7,389,824</u>
Liabilities			
Current liabilities:			
Accounts payable		2,184,971	2,184,971
Due to other funds	1,021,812	7,545,442	8,567,254
Total current liabilities	<u>1,021,812</u>	<u>9,730,413</u>	<u>10,752,225</u>
Noncurrent liabilities:			
Compensated absences	<u>63,825</u>	120,675	184,500
Total noncurrent liabilities	<u>63,825</u>	<u>120,675</u>	<u>184,500</u>
Total liabilities	<u>1,085,637</u>	<u>9,851,088</u>	<u>10,936,725</u>
Net Position			
Net investment in capital assets		28,565	28,565
Unrestricted	(739,417)	(2,836,049)	(3,575,466)
Total net position	<u>\$ (739,417)</u>	<u>\$ (2,807,484)</u>	<u>\$ (3,546,901)</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, 2023

	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:			
Rent and fees	\$ 1,292,309	\$ 7,084,093	\$ 8,376,402
Total operating revenues	<u>1,292,309</u>	<u>7,084,093</u>	<u>8,376,402</u>
Operating expenses:			
Salaries and wages	1,239,079	890,698	2,129,777
Contracted services		6,287,364	6,287,364
Supplies and materials	48	426,013	426,061
Other charges	181,917	271,474	453,391
Depreciation and amortization		16,371	16,371
Total operating expenses	<u>1,421,044</u>	<u>7,891,920</u>	<u>9,312,964</u>
Operating income (loss)	<u>(128,735)</u>	<u>(807,827)</u>	<u>(936,562)</u>
Change in net position	(128,735)	(807,827)	(936,562)
Total net position - beginning	<u>(610,682)</u>	<u>(1,999,657)</u>	<u>(2,610,339)</u>
Total net position - ending	<u>\$ (739,417)</u>	<u>\$ (2,807,484)</u>	<u>\$ (3,546,901)</u>

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,199,260	\$ 7,862,261	\$ 9,061,521
Payments to suppliers	237,833	(6,619,533)	(6,381,700)
Payments to employees	(1,353,630)	(1,047,484)	(2,401,114)
Payments for assessments made by other funds	(83,463)	(181,393)	(264,856)
Payments for other operating expenses	<u> </u>	<u>(13,851)</u>	<u>(13,851)</u>
Net cash provided (used) by operating activities	<u> -</u>	<u> -</u>	<u> -</u>
Increase (Decrease) in cash and cash equivalents			
Cash and cash equivalents - beginning	<u> -</u>	<u> -</u>	<u> -</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (128,735)	\$ (807,827)	\$ (936,562)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation		16,371	16,371
Effects of changes in operating assets and liabilities:			
Receivables	(93,049)	778,168	685,119
Accounts payable		567,273	567,273
Due to other funds	237,881	(473,429)	(235,548)
Compensated absences	<u>(16,097)</u>	<u>(80,556)</u>	<u>(96,653)</u>
Net cash provided (used) by operating activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FIDUCIARY FUNDS

June 30, 2023

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.

BOARD OF EDUCATION OF MONTGOMERY COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 JUNE 30, 2023

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
Assets			
Investments:			
Global equities	\$ 1,185,243,117	\$ -	\$ 1,185,243,117
Fixed income securities	485,734,561		485,734,561
Real estate	100,117,602		100,117,602
Alternative investments	345,894,857		345,894,857
Short-term investments/CRHBT	56,029,936	763,837,706	819,867,642
Total investments	<u>2,173,020,073</u>	<u>763,837,706</u>	<u>2,936,857,779</u>
Accounts receivable		1,051,990	1,051,990
Due from Internal Service Fund		20,286,398	20,286,398
Due from General Fund	1,444,106		1,444,106
Total assets	<u>2,174,464,179</u>	<u>785,176,094</u>	<u>2,959,640,273</u>
Liabilities			
Accounts payable		100,472	100,472
Claims payable		9,882,054	9,882,054
Due to General Fund		413,504	413,504
Total liabilities	<u>-</u>	<u>10,396,030</u>	<u>10,396,030</u>
Net Position			
Restricted for pension	2,174,464,179		2,174,464,179
Restricted for other postemployment benefits		774,780,064	774,780,064
Total net position	<u>\$ 2,174,464,179</u>	<u>\$ 774,780,064</u>	<u>\$ 2,949,244,243</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, 2023

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 70,737,660	\$ 100,625,651	\$ 171,363,311
Members	30,833,315	38,515,466	69,348,781
Federal government - Medicare Part D		41,969,225	41,969,225
Total contributions	<u>101,570,975</u>	<u>181,110,342</u>	<u>282,681,317</u>
Investment earnings:			
Net increase in fair value of investments	158,142,205	31,266,885	189,409,090
Interest and dividends	21,936,396		21,936,396
Total investment income	<u>180,078,601</u>	<u>31,266,885</u>	<u>211,345,486</u>
Less investment expense:			
Investment fees and other	(11,028,746)		(11,028,746)
Total investment expense	<u>(11,028,746)</u>	<u>-</u>	<u>(11,028,746)</u>
Net investment earnings	<u>169,049,855</u>	<u>31,266,885</u>	<u>200,316,740</u>
Total additions	<u>270,620,830</u>	<u>212,377,227</u>	<u>482,998,057</u>
DEDUCTIONS			
Benefits paid to plan members	128,480,218	142,732,240	271,212,458
Premiums paid to insurance companies		17,410,337	17,410,337
Administrative expenses	4,706,817	335,595	5,042,412
Total deductions	<u>133,187,035</u>	<u>160,478,172</u>	<u>293,665,207</u>
Change in net position	137,433,795	51,899,055	189,332,850
Net position - beginning	<u>2,037,030,384</u>	<u>722,881,009</u>	<u>2,759,911,393</u>
Net position - ending	<u>\$ 2,174,464,179</u>	<u>\$ 774,780,064</u>	<u>\$ 2,949,244,243</u>



Students Celebrate Lunar New Year



STATISTICAL SECTION

Board of Education of Montgomery County
June 30, 2023

STATISTICAL SECTION

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

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These schedules provide trend information to help the reader understand how the Board's financial performance and well-being have changed over time.	
Revenue Capacity	126-132
Since Board revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax. Montgomery County levies property taxes and the Board has no authority to collect taxes.	
Debt Capacity	133-136
Since Board construction funding is primarily provided by Montgomery County, these schedules of the county's debt capacity assist the reader in assessing the affordability of Montgomery County's current levels of outstanding debt and Montgomery County's ability to issue additional debt in the future. The Board has no authority to issue bonds. The debt is issued by the Montgomery County.	
Demographic and Economic Information	137-138
Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which the Board's financial activities take place.	
Operating Information	140-143
These schedules contain select operating indicators to help the reader understand how the information in the Board's financial report relates to the services the Board provides and the activities it performs.	

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental Activities:					
Net Investment in capital assets	\$ 2,467,557,443	\$ 2,545,451,592	\$ 2,639,420,067	\$ 2,749,974,181	\$ 2,884,728,055
Restricted for Instructional TV, Expendable				280,688	328,504
Unrestricted	<u>(574,669,171)</u>	<u>(961,916,071)</u>	<u>(999,244,078)</u>	<u>(1,024,990,225)</u>	<u>(2,824,799,646)</u>
Total governmental activities net position	<u>\$ 1,892,888,272</u>	<u>\$ 1,583,535,521</u>	<u>\$ 1,640,175,989</u>	<u>\$ 1,725,264,644</u>	<u>\$ 60,256,913</u>
Business-type activities:					
Net Investment in capital assets	\$ 4,936,206	\$ 5,195,791	\$ 4,439,974	\$ 5,476,647	\$ 6,625,622
Unrestricted	<u>(7,848,538)</u>	<u>(7,337,109)</u>	<u>(5,288,323)</u>	<u>(1,101,387)</u>	<u>12,052,586</u>
Total business-type activities net position	<u>\$ (2,912,332)</u>	<u>\$ (2,141,318)</u>	<u>\$ (848,349)</u>	<u>\$ 4,375,260</u>	<u>\$ 18,678,208</u>
Primary government:					
Net Investment in capital assets	\$ 2,472,493,649	\$ 2,550,647,383	\$ 2,643,860,041	\$ 2,755,450,828	\$ 2,891,353,677
Restricted for Instructional TV, Expendable				280,688	328,504
Unrestricted	<u>(582,517,709)</u>	<u>(969,253,180)</u>	<u>(1,004,532,401)</u>	<u>(1,026,091,612)</u>	<u>(2,812,747,060)</u>
Total primary government net position	<u>\$ 1,889,975,940</u>	<u>\$ 1,581,394,203</u>	<u>\$ 1,639,327,640</u>	<u>\$ 1,729,639,904</u>	<u>\$ 78,935,121</u>

	Fiscal Year				
	2019	2020	2021	2022	2023
Governmental Activities:					
Net Investment in capital assets	\$ 3,047,409,607	\$ 3,253,095,975	\$ 3,321,724,670	\$ 3,391,387,271	\$ 3,606,002,679
Restricted for Instructional TV, Expendable	395,240	469,213	543,071	635,453	536,717
Unrestricted	<u>(2,906,632,993)</u>	<u>(3,007,305,795)</u>	<u>(3,101,768,189)</u>	<u>(3,136,331,422)</u>	<u>(3,199,447,610)</u>
Total governmental activities net position	<u>\$ 141,171,854</u>	<u>\$ 246,259,393</u>	<u>\$ 220,499,552</u>	<u>\$ 255,691,302</u>	<u>\$ 407,091,786</u>
Business-type activities:					
Net Investment in capital assets	\$ 6,447,680	\$ 5,667,833	\$ 6,871,022	\$ 4,192,736	\$ 857,887
Unrestricted	<u>13,236,716</u>	<u>10,161,748</u>	<u>(4,147,688)</u>	<u>24,107,768</u>	<u>30,488,742</u>
Total business-type activities net position	<u>\$ 19,684,396</u>	<u>\$ 15,829,581</u>	<u>\$ 2,723,334</u>	<u>\$ 28,300,504</u>	<u>\$ 31,346,629</u>
Primary government:					
Net Investment in capital assets	\$ 3,053,857,287	\$ 3,258,763,808	\$ 3,328,595,692	\$ 3,395,580,007	\$ 3,606,860,566
Restricted for Instructional TV, Expendable *	395,240	469,213	543,071	635,453	536,717
Unrestricted	<u>(2,893,396,277)</u>	<u>(2,997,144,047)</u>	<u>(3,105,915,877)</u>	<u>(3,112,223,654)</u>	<u>(3,168,958,868)</u>
Total primary government net position	<u>\$ 160,856,250</u>	<u>\$ 262,088,974</u>	<u>\$ 223,222,886</u>	<u>\$ 283,991,806</u>	<u>\$ 438,438,415</u>

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

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

In FY 2021, net position has been restated to conform with GASB Statement No. 84, Accounting and Financial Reporting for Fiduciary Activities.

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

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

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 1,510,082,837	\$ 1,507,192,601	\$ 1,509,093,578	\$ 1,633,033,361
Special education	436,204,642	433,278,196	456,783,996	468,463,510
School administration	210,172,216	203,472,513	207,845,076	217,940,076
Student personnel services	16,496,795	16,623,187	17,050,375	17,126,556
Health services	17,336	1,594	836	1,577
Total instruction	<u>2,172,973,826</u>	<u>2,160,568,091</u>	<u>2,190,773,861</u>	<u>2,336,565,080</u>
Support services:				
Student transportation	136,415,463	134,999,834	138,795,597	140,687,102
Operation of plant	158,947,644	169,601,304	169,976,798	170,791,707
Maintenance of plant	76,505,617	69,525,061	69,797,436	71,483,269
Administration	59,544,537	64,351,553	60,021,749	64,961,620
Community services	3,103,601	3,168,196	3,095,853	3,200,420
Interest on finance agreements	745,756	784,439	1,086,674	1,028,146
Total support services	<u>435,262,618</u>	<u>442,430,387</u>	<u>442,774,107</u>	<u>452,152,264</u>
Total governmental activities expenses	<u>2,608,236,444</u>	<u>2,602,998,478</u>	<u>2,633,547,968</u>	<u>2,788,717,344</u>
Business-type activities				
Food services	52,926,067	54,353,613	56,469,606	58,125,752
Real estate management	2,845,571	3,385,485	3,251,364	3,226,308
Field trips	1,803,944	1,895,960	1,991,456	2,006,344
Entrepreneurial activities	2,356,182	2,466,024	2,504,873	3,875,067
Total business-type activities expenses	<u>59,931,764</u>	<u>62,101,082</u>	<u>64,217,299</u>	<u>67,233,471</u>
Total primary government expenses	<u>\$ 2,668,168,208</u>	<u>\$ 2,665,099,560</u>	<u>\$ 2,697,765,267</u>	<u>\$ 2,855,950,815</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 3,848,232	\$ 3,804,324	\$ 4,001,803	\$ 4,146,827
Operating grants and contributions	79,196,930	80,147,449	78,289,593	76,400,678
Capital grants and contributions	59,687,504	78,396,597	54,561,101	72,592,518
Total governmental activities program revenues	<u>142,732,666</u>	<u>162,348,370</u>	<u>136,852,497</u>	<u>153,140,023</u>
Business-type activities				
Charges for services:				
Food services	16,631,652	16,303,287	16,119,711	17,148,111
Real estate management	2,744,862	3,277,410	3,536,447	3,194,139
Field trips	1,786,478	2,003,127	2,184,988	2,053,978
Entrepreneurial activities	1,974,638	2,205,227	2,226,617	4,040,576
Operating grants and contributions	35,934,919	38,684,559	41,326,131	44,102,198
Capital grants and contributions	1,877,408	381,764	104,574	1,909,310
Total business-type activities program revenues	<u>60,949,957</u>	<u>62,855,374</u>	<u>65,498,468</u>	<u>72,448,312</u>
Total primary government program revenues	<u>\$ 203,682,623</u>	<u>\$ 225,203,744</u>	<u>\$ 202,350,965</u>	<u>\$ 225,588,335</u>
Net (expense)/revenue				
Governmental activities	(2,465,503,778)	(2,440,650,108)	(2,496,695,471)	(2,635,577,321)
Business-type activities	1,018,193	754,292	1,281,169	5,214,840
	<u>(2,464,485,585)</u>	<u>(2,439,895,816)</u>	<u>(2,495,414,302)</u>	<u>(2,630,362,480)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,672,780,820	\$ 1,672,029,373	\$ 1,699,998,943	\$ 1,829,282,694
State of Maryland	792,450,552	810,716,731	829,182,141	871,366,816
Federal government	1,930,243	7,387,393	15,914,171	19,672,201
Other income	1,399,515	460,704	8,240,684	344,265
Total government activities	<u>2,468,561,130</u>	<u>2,490,594,201</u>	<u>2,553,335,939</u>	<u>2,720,665,976</u>
Business-type activities				
Other income	32,817	16,722	11,800	8,768
Total business-type activities	<u>32,817</u>	<u>16,722</u>	<u>11,800</u>	<u>8,768</u>
Total primary government	<u>\$ 2,468,593,947</u>	<u>\$ 2,490,610,923</u>	<u>\$ 2,553,347,739</u>	<u>\$ 2,720,674,744</u>
Change in Net Position				
Governmental activities	\$ 3,057,352	\$ 49,944,093	\$ 56,640,468	\$ 85,088,655
Business-type activities	1,051,010	771,014	1,292,969	5,223,609
Total primary government	<u>\$ 4,108,362</u>	<u>\$ 50,715,107</u>	<u>\$ 57,933,437</u>	<u>\$ 90,312,264</u>

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

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

In fiscal year 2021, net position has been restated to conform with GASB Statement No. 84, Accounting and Financial Reporting for Fiduciary Funds.

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 1,616,010,500	\$ 1,762,655,649	\$ 1,825,108,205	\$ 1,922,207,255	\$ 1,931,502,496	\$ 1,984,397,163	
472,508,294	481,466,470	486,268,182	485,265,823	516,117,109	555,546,268	
212,525,992	213,469,890	217,320,615	217,783,576	228,575,927	240,596,291	
16,988,187	17,752,918	17,476,467	17,546,877	24,741,357	30,097,855	
1,411	1,590	722	353,778	1,334,009	2,909,962	
<u>2,318,034,384</u>	<u>2,475,346,517</u>	<u>2,546,174,191</u>	<u>2,643,157,309</u>	<u>2,702,270,898</u>	<u>2,813,547,539</u>	
140,237,799	144,323,992	140,236,209	138,676,291	161,259,198	180,185,861	
172,434,134	179,743,650	179,437,815	170,814,711	198,863,122	208,785,627	
74,579,051	79,162,111	73,029,852	72,666,735	83,813,685	101,464,715	
68,058,928	71,790,674	76,050,285	77,816,957	82,263,848	89,976,792	
3,220,575	3,198,429	3,305,531	3,491,917	3,544,368	3,871,732	
1,183,963	1,469,981	1,589,522	1,475,236	1,119,884	1,414,045	
<u>459,714,450</u>	<u>479,688,837</u>	<u>473,649,214</u>	<u>464,941,847</u>	<u>530,864,105</u>	<u>585,698,772</u>	
<u>2,777,748,834</u>	<u>2,955,035,354</u>	<u>3,019,823,405</u>	<u>3,108,099,156</u>	<u>3,233,135,003</u>	<u>3,399,246,311</u>	
57,733,700	60,564,324	60,678,747	50,354,105	68,848,570	68,744,813	
3,360,543	3,651,111	3,684,085	4,925,966	4,813,175	7,166,779	
2,196,677	2,308,586	1,541,053	409,543	1,048,486	1,421,044	
8,766,263	13,264,774	8,107,610	2,716,804	8,689,763	7,891,920	
<u>72,057,183</u>	<u>79,788,795</u>	<u>74,011,495</u>	<u>58,406,418</u>	<u>83,399,994</u>	<u>85,224,556</u>	
<u>\$ 2,849,806,017</u>	<u>\$ 3,034,824,149</u>	<u>\$ 3,093,834,900</u>	<u>\$ 3,166,505,574</u>	<u>\$ 3,316,534,997</u>	<u>\$ 3,484,470,867</u>	
\$ 3,358,232	\$ 3,407,477	\$ 2,968,633	\$ 2,254,924	\$ 853,917	\$ 1,034,433	
84,092,926	86,548,240	107,186,574	102,813,764	283,589,422	228,388,016	
70,241,200	62,851,159	67,750,408	65,849,411	53,020,458	90,529,428	
<u>157,692,358</u>	<u>152,806,876</u>	<u>177,905,615</u>	<u>170,918,099</u>	<u>337,463,797</u>	<u>319,951,877</u>	
17,476,818	17,896,527	12,830,168	998,957	1,131,282	14,955,489	
3,536,111	3,327,588	3,340,553	4,566,198	2,832,976	3,625,602	
2,148,783	2,175,575	1,334,742	423	763,806	1,292,309	
8,857,581	12,856,424	7,649,091	1,817,850	8,354,854	7,084,093	
44,052,643	43,620,377	44,622,910	35,641,759	95,891,870	60,958,851	
1,509,107	897,719	242,780	2,257,988	-	-	
<u>77,581,043</u>	<u>80,774,210</u>	<u>70,020,244</u>	<u>45,283,175</u>	<u>108,974,788</u>	<u>87,916,344</u>	
<u>\$ 235,273,401</u>	<u>\$ 233,581,086</u>	<u>\$ 247,925,859</u>	<u>\$ 216,201,274</u>	<u>\$ 446,438,585</u>	<u>\$ 407,868,221</u>	
(2,620,056,476)	(2,802,228,478)	(2,841,917,790)	(2,937,181,057)	(2,895,671,206)	(3,079,294,434)	
5,523,860	985,415	(3,991,251)	(13,123,243)	25,574,794	2,691,788	
<u>(2,614,532,616)</u>	<u>(2,801,243,063)</u>	<u>(2,845,909,041)</u>	<u>(2,950,304,300)</u>	<u>(2,870,096,412)</u>	<u>(3,076,602,646)</u>	
\$ 1,873,380,768	\$ 1,934,769,763	\$ 1,942,690,403	\$ 1,866,785,056	\$ 1,893,400,154	\$ 2,138,769,426	
892,225,277	916,115,657	965,884,095	985,645,763	983,052,767	1,023,752,199	
21,302,600	23,015,752	26,585,270	33,692,960	35,708,586	41,733,323	
14,687,987	9,242,247	11,845,561	8,646,203	18,701,449	26,439,970	
<u>2,801,596,632</u>	<u>2,883,143,419</u>	<u>2,947,005,329</u>	<u>2,894,769,982</u>	<u>2,930,862,956</u>	<u>3,230,694,918</u>	
9,358	20,773	136,436	16,996	2,376	354,337	
9,358	20,773	136,436	16,996	2,376	354,337	
<u>\$ 2,801,605,990</u>	<u>\$ 2,883,164,192</u>	<u>\$ 2,947,141,765</u>	<u>\$ 2,894,786,978</u>	<u>\$ 2,930,865,332</u>	<u>\$ 3,231,049,255</u>	
\$ 181,540,156	\$ 80,914,941	\$ 105,087,539	\$ (42,411,075)	\$ 35,191,750	\$ 151,400,484	
5,533,218	1,006,188	(3,854,815)	(13,106,247)	25,577,170	3,046,125	
<u>\$ 187,073,374</u>	<u>\$ 81,921,129</u>	<u>\$ 101,232,724</u>	<u>\$ (55,517,322)</u>	<u>\$ 60,768,920</u>	<u>\$ 154,446,609</u>	



Students Perform at Marching Band Showcase

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

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 7,952,232	\$ 7,456,908	\$ 7,781,042	\$ 7,850,918	\$ 8,264,483
Assigned	2,510,534	2,758,823	3,615,674	8,262,452	14,765,257
Unassigned	<u>25,709,467</u>	<u>24,048,758</u>	<u>21,926,344</u>	<u>12,217,790</u>	<u>17,068,844</u>
Total general fund	<u>\$ 36,172,233</u>	<u>\$ 34,264,489</u>	<u>\$ 33,323,060</u>	<u>\$ 28,331,160</u>	<u>\$ 40,098,584</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 304,595	\$ 265,417	\$ 265,286	\$ 280,688	\$ 328,504
Total all other governmental funds	<u>\$ 304,595</u>	<u>\$ 265,417</u>	<u>\$ 265,286</u>	<u>\$ 280,688</u>	<u>\$ 328,504</u>

	Fiscal Year				
	2019	2020	2021	2022	2023
General Fund:					
Nonspendable	\$ 5,931,432	\$ 5,806,420	\$ 6,052,935	\$ 6,949,571	\$ 8,762,260
Assigned	49,137,024	56,400,537	81,556,560	75,138,278	60,339,905
Unassigned	<u>262,260</u>	<u>3,014,609</u>	<u>6,281,287</u>	<u>4,818,241</u>	<u>8,225,109</u>
Total general fund	<u>\$ 55,330,716</u>	<u>\$ 65,221,566</u>	<u>\$ 93,890,782</u>	<u>\$ 86,906,090</u>	<u>\$ 77,327,274</u>
All other governmental funds:					
Restricted - Special revenue fund	\$ 395,240	\$ 469,213	\$ 543,071	\$ 635,453	\$ 536,717
Total all other governmental funds	<u>\$ 395,240</u>	<u>\$ 469,213</u>	<u>\$ 543,071</u>	<u>\$ 635,453</u>	<u>\$ 536,717</u>

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

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,722,421,710	\$ 1,746,734,700	\$ 1,751,827,765	\$ 1,899,983,488
State of Maryland	802,146,773	818,487,290	832,480,205	873,853,069
Federal Government	79,111,667	81,162,630	91,387,696	93,191,282
Other	7,613,644	6,557,953	7,979,169	6,778,158
Total Revenue	<u>2,611,293,794</u>	<u>2,652,942,573</u>	<u>2,683,674,835</u>	<u>2,873,805,997</u>
Expenditures				
Current:				
Administration	\$ 37,180,315	\$ 43,121,059	\$ 38,137,108	\$ 43,005,135
Mid-level administration	136,161,260	136,742,143	138,754,954	145,298,770
Instructional salaries and wages	862,096,690	887,923,350	903,658,977	957,765,591
Instructional textbooks and supplies	23,239,502	23,110,188	20,622,147	26,389,897
Other instructional costs	13,676,632	10,131,255	9,246,817	11,324,064
Special education	291,929,538	298,528,876	313,795,044	321,502,025
Student personnel services	10,682,855	11,185,874	11,392,324	11,396,245
Health services	16,388	1,594	836	1,577
Student transportation	101,036,031	102,233,482	103,885,365	105,176,130
Operation of plant	118,604,859	127,576,145	126,557,151	130,631,994
Maintenance of plant	33,947,985	31,557,851	35,772,435	34,661,021
Fixed charges	758,138,841	759,060,741	750,150,331	819,971,483
Community services	2,281,607	2,436,418	2,291,995	2,358,835
Debt service:				
Finance agreement principal	21,691,477	28,238,622	28,223,640	30,098,676
Finance agreement interest	745,756	784,439	1,086,674	1,028,145
Capital outlay	237,654,916	234,711,185	223,192,574	269,116,996
Total expenditures	<u>2,649,084,652</u>	<u>2,697,343,222</u>	<u>2,706,768,372</u>	<u>2,909,726,584</u>
Excess (deficiency) of Revenues over expenditures	(37,790,858)	(44,400,649)	(23,093,537)	(35,920,587)
Other financing sources				
Finance agreements	\$ 24,609,843	\$ 42,453,727	\$ 22,151,977	\$ 30,944,089
Lease financing				
Subscription financing				
Inventory reserve				
Transfer in				
Transfer out				
Total other financing sources	<u>24,609,843</u>	<u>42,453,727</u>	<u>22,151,977</u>	<u>30,944,089</u>
Net change in fund balances	<u>\$ (13,181,015)</u>	<u>\$ (1,946,922)</u>	<u>\$ (941,560)</u>	<u>\$ (4,976,498)</u>
Debt service as a percentage of noncapital expenditures	0.9%	1.2%	1.2%	1.2%

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 1,942,980,004	\$ 1,993,589,587	\$ 2,006,838,461	\$ 1,874,656,597	\$ 1,943,586,971	\$ 2,224,463,309
896,240,261	923,873,624	987,525,707	1,007,293,882	997,694,419	1,038,254,503
99,806,421	103,621,276	113,251,972	170,375,261	304,525,089	258,001,035
6,877,603	10,968,607	9,152,404	13,362,341	22,520,274	29,927,948
<u>2,945,904,289</u>	<u>3,032,053,094</u>	<u>3,116,768,544</u>	<u>3,065,688,081</u>	<u>3,268,326,753</u>	<u>3,550,646,795</u>
\$ 46,373,276	\$ 50,821,017	\$ 55,151,646	\$ 57,626,802	\$ 59,435,572	\$ 57,999,311
146,059,390	148,254,887	154,180,405	155,904,282	160,381,381	167,505,235
978,816,045	995,917,614	1,036,247,907	1,057,141,211	1,175,000,687	1,182,032,476
23,469,595	29,862,590	32,318,483	100,380,011	52,090,936	53,271,433
13,457,116	18,711,018	18,876,983	39,015,133	52,030,264	51,437,345
333,569,547	342,604,008	360,469,160	364,620,237	378,766,118	405,855,230
11,683,385	12,374,569	12,270,907	13,944,027	17,326,866	20,992,521
1,411	1,590	722	353,778	1,334,009	2,655,964
106,938,152	110,784,402	109,379,844	100,793,265	125,167,927	128,032,401
135,115,367	141,668,968	142,592,029	141,643,246	157,941,726	164,349,199
36,696,411	41,193,843	39,130,545	36,290,454	42,634,924	49,913,874
813,415,347	807,858,788	771,779,226	782,201,687	797,414,433	830,954,792
2,478,259	2,427,511	2,550,386	2,666,712	2,747,019	2,990,707
30,934,266	28,850,815	34,587,878	31,552,859	33,535,452	36,176,918
1,183,963	1,469,981	1,589,522	1,475,236	1,548,749	2,446,792
285,128,443	317,123,509	380,697,053	189,600,967	295,566,251	507,004,152
<u>2,965,319,973</u>	<u>3,049,925,111</u>	<u>3,151,822,697</u>	<u>3,075,209,907</u>	<u>3,352,922,314</u>	<u>3,663,618,350</u>
(19,415,684)	(17,872,016)	(35,054,152)	(9,521,826)	(84,595,561)	(112,971,555)
\$ 31,230,924	\$ 33,170,884	\$ 45,018,976	\$ 18,969,896	\$ 31,606,691	\$ 21,664,789
				46,096,560	53,530,280
					28,098,934
			2,643,770		750,000
					(750,000)
<u>31,230,924</u>	<u>33,170,884</u>	<u>45,018,976</u>	<u>21,613,666</u>	<u>77,703,251</u>	<u>103,294,003</u>
<u>\$ 11,815,240</u>	<u>\$ 15,298,868</u>	<u>\$ 9,964,824</u>	<u>\$ 12,091,840</u>	<u>\$ (6,892,310)</u>	<u>\$ (9,677,552)</u>
1.2%	1.1%	1.3%	1.1%	1.2%	1.2%

BOARD OF EDUCATION OF MONTGOMERY COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 2022*

Operating Revenues:	
Contributions by other agencies	\$ 50,329,601
Contributions by the Board of Education	27,176,964
Total operating revenue	<u>77,506,565</u>
Operating Expenses:	
Self-insurance losses, net of recoveries	58,812,405
Other costs at risk	8,485,217
Commercial insurance	10,588,224
Other operating expenses	4,092,622
Total operating expenses	<u>81,978,468</u>
Operating Gain (Loss)	<u>(4,471,903)</u>
Nonoperating Revenues:	
Investment Income	379,294
Interest Expense	(18,454)
Insurance recoveries	771,492
Total nonoperating revenues	<u>1,132,332</u>
Transfers In/Out:	
Transfers In/Out	<u>-</u>
Total transfers In/Out	<u>-</u>
Change in net position	<u>(3,339,571)</u>
Total net position (deficit) - beginning of year	<u>13,690,577</u>
Total net position - end of year	<u>\$ 10,351,006</u>

* Date of the most current available information.

Source: Montgomery County FY 2022 ACFR

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

Fiscal Year	Governmental Activities Finance Agreements Payable	Business-Type Activities Finance Agreements Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2014	\$ 50,009,122	\$ 792,703	\$ 50,801,825	0.06	49
2015	64,224,227	973,638	65,197,865	0.08	63
2016	58,152,564	655,347	58,807,911	0.07	56
2017	58,997,977	651,328	59,649,305	0.07	57
2018	59,294,633	386,164	59,680,797	0.07	56
2019	63,614,700	494,518	64,109,218	0.07	60
2020	74,045,798	530,255	74,576,053	0.08	70
2021	61,462,835	339,255	61,802,090	0.06	59
2022*	105,630,632	160,885,874	266,516,506	0.27	251
2023*	172,740,318	159,443,821	332,184,139	0.33	311

Notes:

* For fiscal years 2014 through 2021, the amounts presented represent finance agreements payable.

In FY 2022, the Board adopted GASB 87, Leases, which requires all leases to be reported as liabilities.

In FY 2023, the Board adopted GASB 96, Subscription-Based Information Technology Agreements (SBITAs), which requires all SBITAs to be reported as liabilities. The amounts for FY 2022 represent leases and the amounts for FY 2023 and beyond represent all leases and SBITAs.

The Board has no authority to issue bond debt. The Montgomery County Government and state of Maryland incur bond debt on behalf of the board to fund capital improvements and are responsible for the liquidation of these debts. Details regarding the Board's outstanding debt can be found in note IX to the financial statements.

(1) Personal income and population used in calculations are found in the Montgomery County FY 2023 ACFR Demographic Statistics - Last Ten Fiscal Years Table 23.

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

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years	Total Adjusted Levy	Amount (1)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2014	\$ 1,437,898,506	\$ (857,224)	\$ 1,437,041,282	\$ 1,434,787,650	99.78 %	\$ (1,754,502)	\$ 1,433,033,148	99.72 %
2015	1,447,816,313	1,632,092	1,449,448,405	1,442,602,468	99.64	1,511,565	1,444,114,033	99.63
2016	1,521,343,303	(3,769,870)	1,517,573,433	1,518,519,304	99.81	(8,963,383)	1,509,555,921	99.47
2017	1,663,208,936	(1,455,438)	1,661,753,498	1,661,121,521	99.87	(3,074,272)	1,658,047,249	99.78
2018	1,679,004,512	(2,373,033)	1,676,631,479	1,678,245,742	99.95	(4,406,035)	1,673,839,707	99.83
2019	1,691,044,390	325,168	1,691,369,558	1,691,091,714	100.00	(1,724,997)	1,689,366,717	99.88
2020	1,720,090,151	2,817,438	1,722,907,589	1,711,893,942	99.52	9,629,295	1,721,523,237	99.92
2021	1,767,873,961	(10,329,528)	1,757,544,433	1,756,064,789	99.33	(1,626,374)	1,754,438,415	99.82
2022	1,801,778,279	(121,491)	1,801,656,788	1,804,371,273	100.14	1,328,856	1,805,700,129	100.22
2023	1,866,240,423	-	1,866,240,423	1,862,168,797	99.78	-	1,862,168,797	99.78

NOTES:

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

(1) Amounts represent collections received, including overpayments, net of refunds. Penalties and interest are excluded.
See Montgomery County FY 2023 Table 12, Note (2) for treatment of such overpayments.

Table Reference Source: Montgomery County FY 2023 Table 11

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

Fiscal Year	Real Property						Total Direct Tax Rate (3)	Ratio of Total Assessed Value to Total Estimated Market Value*
	Residential (1)		Commercial/Other		Total			
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
2014	\$ 125,035,897,087	\$ 135,320,234,942	\$ 34,855,968,247	\$ 37,722,909,358	\$ 159,891,865,334	\$ 173,043,144,300	1.008	92.40
2015	127,929,975,330	132,432,686,677	35,726,782,876	36,984,247,284	163,656,758,206	169,416,933,961	0.995	96.60
2016	130,228,674,548	139,133,199,303	39,947,771,504	42,679,243,060	170,176,446,052	181,812,442,363	0.986	93.60
2017	136,227,683,441	146,324,042,364	41,267,669,577	44,326,175,700	177,495,353,018	190,650,218,064	1.025	93.10
2018	141,123,298,797	150,291,053,032	42,870,571,864	45,655,561,091	183,993,870,661	195,946,614,123	1.000	93.90
2019	144,227,022,428	149,924,139,738	44,823,996,615	46,594,591,076	189,051,019,043	196,518,730,814	0.980	96.20
2020	147,243,712,565	153,699,073,659	46,243,426,154	48,270,799,743	193,487,138,719	201,969,873,402	0.977	95.80
2021	150,027,567,286	160,285,862,485	48,320,294,646	51,624,246,417	198,347,861,932	211,910,108,902	0.977	93.60
2022	153,211,485,026	163,338,470,177	49,345,758,473	52,607,418,415	202,557,243,499	215,945,888,592	0.977	93.80
2023	159,297,315,393	168,747,156,137	50,290,382,218	53,273,709,976	209,587,697,611	222,020,866,113	0.977	94.40

Fiscal Year	Personal Property (2)					Total Direct Tax Rate (3)	Real and Personal Property Total	
	Business		Public Utility		Total		Assessed Value	Estimated Actual Value
	Individuals	Corporations	Operating Property	Domestic Shares				
2014	\$ 42,416,630	\$ 2,172,248,760	\$ 1,120,973,968	\$ 373,688,150	\$ 3,709,327,508	2.509	\$ 163,601,192,842	\$ 176,752,471,808
2015	42,008,150	2,075,584,320	1,181,901,740	355,639,000	3,655,133,210	2.473	167,311,891,416	173,072,067,171
2016	47,898,060	2,234,518,270	1,258,731,007	343,201,680	3,884,349,017	2.450	174,060,795,069	185,696,791,380
2017	58,246,910	2,294,129,160	1,353,826,658	345,169,740	4,051,372,468	2.547	181,546,725,486	194,701,590,532
2018	59,939,710	2,365,219,600	1,415,902,926	347,503,030	4,188,565,266	2.487	188,182,435,927	200,135,179,389
2019	54,351,120	2,165,482,980	1,487,936,178	347,682,480	4,055,452,758	2.439	193,106,471,801	200,574,183,572
2020	50,107,770	2,102,502,400	1,588,156,716	360,200,070	4,100,966,956	2.432	197,588,105,675	206,070,840,358
2021	45,265,400	2,691,715,890	1,605,523,467	339,688,220	4,682,192,977	2.436	203,030,054,909	216,592,301,879
2022	42,820,470	2,126,887,380	1,752,559,668	320,489,690	4,242,757,208	2.430	206,800,000,707	220,188,645,800
2023	38,292,340	2,229,192,850	1,870,580,090	328,995,840	4,467,061,120	2.432	214,054,758,731	226,487,927,233

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/state government, or a subdivision or agency of either, is exempt. Also exempt are real and personal property used for religious, educational, or charitable purposes. Specific exemptions involve historical property, societies and museums, conservation property, cemeteries, certain fraternal and service organizations, continuing care facilities for the aged, nonprofit housing, property, and dwelling houses of disabled veterans and blind persons.
- * Ratio of total assessed value to total estimated market value for FY 2023 is the three-year average of FY 2020, FY 2021 and FY 2022. Ratio for FY 2022 has been updated by the Maryland Department of Assessments and Taxation.
- (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 2023 Table 8

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

	County-wide					Substantially County-wide (1)				Prorata Tax Rate	Total County Direct Rate (3)
	County		M-NCPPC (2)			County		M-NCPPC (2)			
	Fire Tax County	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
Real Property:											
2014	.7590	.1250	.0420	.0010	.9270	.0200	.0030	.0180	.0530	.0810	1.0080
2015	.7320	.1360	.0400	.0010	.9090	.0230	.0030	.0170	.0560	.0857	.9947
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	.9858
2017	.7734	.1140	.0520	.0010	.9404	.0230	.0030	.0170	.0548	.0845	1.0249
2018	.7484	.1089	.0580	.0010	.9163	.0240	.0000	.0172	.0554	.0833	.9996
2019	.7414	.1065	.0498	.0010	.8987	.0254	.0000	.0156	.0530	.0811	.9798
2020	.7166	.1068	.0672	.0010	.8916	.0261	.0000	.0170	.0560	.0854	.9770
2021	.6948	.1182	.0736	.0010	.8876	.0260	.0000	.0176	.0600	.0893	.9769
2022	.7178	.1202	.0524	.0010	.8914	.0261	.0000	.0174	.0556	.0854	.9768
2023	.6940	.1074	.0832	.0010	.8856	.0259	.0000	.0190	.0610	.0913	.9769
Personal Property:											
2014	1.8980	.3130	.1050	.0030	2.3190	.0500	.0080	.0450	.1330	.1900	2.5090
2015	1.8300	.3400	.1000	.0030	2.2730	.0580	.0080	.0430	.1400	.2003	2.4733
2016	1.8075	.2900	.1500	.0025	2.2500	.0575	.0075	.0450	.1380	.1998	2.4498
2017	1.9335	.2850	.1300	.0025	2.3510	.0575	.0075	.0425	.1370	.1959	2.5469
2018	1.8710	.2723	.1450	.0025	2.2908	.0600	.0000	.0430	.1385	.1963	2.4871
2019	1.8535	.2663	.1245	.0025	2.2468	.0635	.0000	.0390	.1325	.1923	2.4391
2020	1.7915	.2670	.1680	.0025	2.2290	.0653	.0000	.0425	.1400	.2034	2.4324
2021	1.7370	.2955	.1840	.0025	2.2190	.0650	.0000	.0440	.1500	.2168	2.4358
2022	1.7945	.3005	.1310	.0025	2.2285	.0653	.0000	.0435	.1390	.2019	2.4304
2023	1.7350	.2685	.2080	.0025	2.2140	.0648	.0000	.0475	.1525	.2179	2.4319

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 services.
 - (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 2023 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 (2)	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint
Real Property:												
2014	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.1050	.1830	.1130
2015	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.0810	.1820	.1120
2016	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0660	.1510	.1111
2017	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0410	.1530	.1150
2018	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0740	.1610	.1125
2019	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0750	.1560	.1105
2020	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0740	.1530	.1103
2021	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0400	.1540	.1103
2022	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0000	.1560	.1103
2023	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0000	.1480	.1104
Personal Property:												
2014	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2015	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2016	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2017	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2018	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2019	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2020	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2021	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2022	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2023	.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.
 - * In LY (Levy Year) 2022 the County established the Business Improvement Districts for Silver Spring for Real Property. The tax rate for LY 2022 was zero; therefore, it was not included in the table this year.
- (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) Montgomery Hills Parking Lot District was merged with the Silver Spring Parking Lot District effective July 1, 2017.

Table Reference Source: Montgomery County FY 2023 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:								
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400
2016	.2620	.2920	.5850	.0514	.2000	.0000	.2100	.1400
2017	.2620	.2920	.5675	.0514	.2000	.0100	.2100	.1400
2018	.2620	.2920	.5348	.0514	.1500	.0100	.2100	.1400
2019	.2620	.2920	.5291	.0514	.1500	.0100	.2000	.1500
2020	.2620	.2920	.5397	.0514	.1500	.0990	.2045	.1500
2021	.2620	.2920	.5397	.0514	.1500	.0098	.2045	.1500
2022	.2620	.2920	.5397	.0514	.1500	.0098	.2045	.1500
2023	.2620	.2920	.5397	.0514	.1500	.0097	.2045	.1500
Personal Property:								
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2016	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2017	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2018	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2019	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2020	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2021	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2022	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000
2023	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
2014	.1360	.1000	.1672	.0800	.3000
2015	.1360	.0900	.1672	.0800	.3000
2016	.1360	.0900	.1700	.0800	.2860
2017	.1360	.0900	.1756	.1000	.2700
2018	.1360	.0900	.1756	.1000	.2550
2019	.1360	.0900	.1756	.1000	.2620
2020	.1312	.0900	.1800	.1000	.2603
2021	.1312	.0900	.1781	.1000	.2587
2022	.1312	.0900	.1781	.1000	.2479
2023	.1312	.0900	.1781	.1000	.2392
Personal Property:					
2014	.5700	.3000	.6000	1.0000	.7000
2015	.6200	.3000	.6000	1.0000	.7000
2016	.6500	.3000	.6000	1.0000	.7000
2017	.7000	.3000	.6000	1.0000	.7000
2018	.7000	.3000	.6000	1.0000	.7000
2019	.7500	.3000	.6000	1.0000	.7000
2020	.8000	.3000	.6000	1.0000	.7000
2021	.8000	.3000	.6000	1.0000	.7000
2022	.8000	.3000	.6000	1.0000	.7000
2023	.8000	.3000	.6000	1.0000	.7000

NOTES:

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

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

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

Table Reference Source: Montgomery County FY2023 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:										
2014	.0500	.0200	.0000	.0220	.1002	.0480	.0400	.0470	.0520	.0400
2015	.0500	.0200	.0000	.0220	.0850	.0480	.0400	.0472	.0520	.0400
2016	.0500	.0200	.0000	.0220	.0828	.0480	.0400	.0472	.0520	.0400
2017	.0400	.0200	.0000	.0220	.0807	.0480	.0400	.0472	.0520	.0400
2018	.0400	.0200	.0000	.0200	.0819	.0480	.0400	.0472	.0450	.0400
2019	.0400	.0200	.0000	.0200	.0813	.0480	.0400	.0050	.0450	.0400
2020	.0400	.0200	.0000	.0200	.0804	.0480	.0400	.0050	.0450	.0400
2021	.0400	.0200	.0000	.0200	.0787	.0480	.0400	.0050	.0450	.0400
2022	.0400	.0200	.0000	.0200	.0773	.0480	.0400	.0050	.0450	.0400
2023	.0400	.0200	.0000	.0200	.0757	.0480	.0400	.0050	.0450	.0400
Personal Property:										
2014	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2015	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2016	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2017	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2018	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2019	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2020	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2021	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2022	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2023	.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 2023 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, 2023

	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 1,353,109,244	\$ 34,936,434	\$ 1,318,172,810	0.63 %
Federal Realty Investments Trust	631,203,990	612,290,100	18,913,890	0.30
7750 Wisconsin Ave LLC	608,997,700	608,997,700	-	0.28
ARE- Maryland	607,340,473	607,321,833	18,640	0.28
GI Partners	576,413,133	576,413,133	-	0.27
JBG Smith	533,355,403	528,393,533	4,961,870	0.25
CP 7272 Wisconsin Ave LLC	514,940,000	513,135,300	1,804,700	0.24
Montgomery Mall LLC	445,159,230	443,375,400	1,783,830	0.21
Verizon Inc.	412,626,930	36,280,900	376,346,030	0.19
Washington Metropolitan Area Transit Authority	404,290,433	404,290,433	-	0.19
Total	\$ 6,087,436,536	\$ 4,365,434,766	\$ 1,722,001,770	2.84 %
Total Assessable Base	\$ 214,054,758,731			100.00 %

For the Fiscal Year Ended June 30, 2014

	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 793,656,503	\$ 34,531,133	\$ 759,125,370	0.49%
Verizon Maryland Inc	497,508,170	44,066,100	453,442,070	0.30%
Montgomery Mall LLC	281,850,410	280,115,000	1,735,410	0.17%
Washington Gas Light Co.	269,380,950	-	269,380,950	0.16%
Washington Metropolitan Area Transit Authority	260,060,067	260,060,067	-	0.16%
Federal Realty Investment Trust	254,587,797	252,901,867	1,685,930	0.16%
Street Retail Inc.	234,690,865	234,690,865	-	0.14%
Wheaton Plaza Reg Shopping Center	218,636,043	217,330,033	1,306,010	0.13%
Chevy Chase Land Co	207,660,900	207,660,900	-	0.13%
7501 Wisconsin Avenue LLC	200,181,660	200,000,000	181,660	0.12%
Total	\$ 3,218,213,365	\$ 1,731,355,965	\$ 1,486,857,400	1.97%
Total Assessable Base	\$ 163,601,192,842			100.00%

Table Reference Source: Montgomery County FY 2023 Table 10

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

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations				
2014	\$ 2,085,028,317	\$ 100,000,000	\$ 339,671,879		\$ 2,524,700,196	1.43 %	\$ 2,463
2015	2,465,315,677	100,000,000	339,516,238		2,904,831,915	1.68	2,811
2016	2,582,259,186	100,000,000	323,901,913		3,006,161,099	1.62	2,892
2017	2,722,235,195	90,000,000	308,297,064		3,120,532,259	1.60	2,980
2018	2,919,530,233	170,000,000	292,692,211		3,382,222,444	1.69	3,225
2019	3,015,532,116	170,000,000	277,106,496		3,462,638,612	1.73	3,294
2020	3,109,101,181	170,000,000	106,404,112		3,385,505,293	1.64	3,188
2021	3,287,199,209	170,000,000	-		3,457,199,209	1.60	3,234
2022	3,333,092,653	170,000,000	-		3,503,092,653	1.61	3,255
2023	3,330,009,510	170,000,000	-		3,500,009,510	1.55	3,275

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 2023 Table 8 for estimated actual value of taxable property data.
- (3) See Montgomery County FY 2023 Table 23 for population data used in calculating the Per Capita.

Table Reference Source: Montgomery County FY 2023 Table 18.

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

	2014	2015	2016	2017	2018
Assessed Value					
Real property (1,3)	\$ 159,891,865,334	\$ 163,656,758,206	\$ 170,176,446,052	\$ 177,495,353,018	\$ 183,993,870,661
Personal property (2)	3,709,327,508	3,655,133,210	3,884,349,017	4,051,372,468	4,188,565,266
Total Assessed Value	<u>\$ 163,601,192,842</u>	<u>\$ 167,311,891,416</u>	<u>\$ 174,060,795,069</u>	<u>\$ 181,546,725,486</u>	<u>\$ 188,182,435,927</u>
Legal Debt Margin					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763	\$ 10,649,721,181	\$ 11,039,632,240
For personal property at 15%	556,399,126	548,269,982	582,652,353	607,705,870	628,284,790
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>10,149,911,046</u>	<u>10,367,675,474</u>	<u>10,793,239,116</u>	<u>11,257,427,051</u>	<u>11,667,917,030</u>
Debt Applicable to Limit:					
General obligation bonds	2,085,028,317	2,465,315,677	2,582,259,186	2,722,235,195	2,919,530,233
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	90,000,000	170,000,000
Taxable BABs General Obligation	339,671,879	339,516,238	323,901,913	308,297,064	292,692,211
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>3,024,700,196</u>	<u>3,404,831,915</u>	<u>3,506,161,099</u>	<u>3,620,532,259</u>	<u>3,882,222,444</u>
Legal Debt Margin	<u>\$ 7,125,210,850</u>	<u>\$ 6,962,843,559</u>	<u>\$ 7,287,078,017</u>	<u>\$ 7,636,894,792</u>	<u>\$ 7,785,694,586</u>
Legal Debt Margin as a Percentage of Debt Limit	70%	67%	68%	68%	67%

	2019	2020	2021	2022	2023
Assessed Value					
Real property (1,3)	\$ 189,051,019,043	\$ 193,487,138,719	\$ 198,347,861,932	\$ 202,557,243,499	\$ 209,587,697,611
Personal property (2)	4,055,452,758	4,100,966,956	4,682,192,977	4,242,757,208	4,467,061,120
Total Assessed Value	<u>\$ 193,106,471,801</u>	<u>\$ 197,588,105,675</u>	<u>\$ 203,030,054,909</u>	<u>\$ 206,800,000,707</u>	<u>\$ 214,054,758,731</u>
Legal Debt Margin					
Debt Limit - Percentage of Assessable Base:					
For real property at 6%	\$ 11,343,061,143	\$ 11,609,228,323	\$ 11,900,871,716	\$ 12,153,434,610	\$ 12,575,261,857
For personal property at 15%	608,317,914	615,145,043	702,328,947	636,413,581	670,059,168
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>11,951,379,057</u>	<u>12,224,373,366</u>	<u>12,603,200,663</u>	<u>12,789,848,191</u>	<u>13,245,321,025</u>
Debt Applicable to Limit:					
General obligation bonds	3,015,532,116	3,109,101,181	3,287,199,209	3,333,092,653	3,330,009,510
Variable Rate Demand Obligation	170,000,000	170,000,000	170,000,000	170,000,000	170,000,000
Taxable BABs General Obligation	277,106,496	106,404,112	-	-	-
Bond anticipation notes	500,000,000	500,000,000	470,000,000	311,000,000	217,000,000
Total Debt Applicable to Limit	<u>3,962,638,612</u>	<u>3,885,505,293</u>	<u>3,927,199,209</u>	<u>3,814,092,653</u>	<u>3,717,009,510</u>
Legal Debt Margin	<u>\$ 7,988,740,445</u>	<u>\$ 8,338,868,073</u>	<u>\$ 8,676,001,454</u>	<u>\$ 8,975,755,538</u>	<u>\$ 9,528,311,515</u>
Legal Debt Margin as a Percentage of Debt Limit	67%	68%	69%	70%	72%

NOTES:

- (1) See (1) on Montgomery County FY 2023 ACFR Table 8.
- (2) See (2) on Montgomery County FY 2023 ACFR Table 8.
- (3) As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P(i)), of the Annotated Code of Maryland. The legal debt margin is a total of 6% of the assessable base (presented at 100% of real property of the County and 15% of the County's assessable base of personal property and operating real property).

Table Reference Source: Montgomery County FY 2023 Table 20

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2023

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Poolesville - bonds	\$ 1,354,676	100.00 %	\$ 1,354,676
Rockville - bonds	19,171,430	100.00	19,171,430
Somerset - bonds	790,000	100.00	790,000
Takoma Park - bonds	7,696,500	100.00	7,696,500
Gaithersburg- leases	22,500	100.00	22,500
Component Units (2):			
MCPS - finance agreements payable	52,931,232	100.00	52,931,232
MC - finance agreements payable	75,310,749	100.00	75,310,749
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	185,175,134	35.89	66,467,170
Advance land acquisition bonds	240,000	100.00	240,000
Development Districts (2):			
West Germantown - bonds	6,035,000	100.00	<u>6,035,000</u>
Total Overlapping Debt			230,019,257
Montgomery County direct debt (5)			<u>4,349,250,642</u>
Total Direct and Overlapping Debt			<u><u>\$ 4,579,269,899</u></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 finance agreements payable. 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, finance agreements payable, and bank loans.
- (2) Entities are wholly within Montgomery County.
- (3) Unaudited information provided by entities.
- (4) Overlapping debt percentage is based on the debt relating to the County.
- (5) Source: Total of governmental activities debt on Montgomery County Table 17.
- (6) The Board has no authority to issue bonds.

Table Reference Source: Montgomery County FY 2023 Table 19

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2023*

<u>Description of Bonds and Purpose of Issue</u>	<u>Interest Rate</u>	<u>Date of</u>		<u>Amount of General Tax Bonds</u>	
		<u>Bond Issue</u>	<u>Maturity</u>	<u>Outstanding June 30, 2022</u>	<u>Outstanding June 30, 2023</u>
General bonded indebtedness:					
Consolidated Public Improvement Bonds of 2013, Series A	3.00 - 5.00	11/26/2013	11/1/2033	\$ 8,330,000	\$ 4,165,000
Consolidated Public Improvement Refunding Bonds of 2013, Series B	5.00	11/26/2013	11/1/2024	8,794,995	8,794,995
Consolidated Public Improvement Bonds of 2014, Series A	4.00 - 5.00	11/19/2014	11/1/2024	30,086,250	20,057,500
Consolidated Public Improvement Refunding Bonds of 2014, Series B	5.00	11/19/2014	11/1/2028	112,922,950	92,862,350
Consolidated Public Improvement Refunding Bonds of 2015, Series B	3.00 - 5.00	11/18/2015	12/1/2035	67,052,300	62,262,850
Consolidated Public Improvement Bonds of 2016, Series A	3.00 - 5.00	12/13/2016	12/1/2037	71,319,709	66,565,061
Consolidated Public Improvement Bonds of 2017, Series A	5.00	11/15/2017	11/1/2027	29,962,800	24,969,000
Consolidated Public Improvement Refunding Bonds of 2017, Series B	5.00	11/15/2017	6/1/2026	23,673,600	18,003,200
Consolidated Public Improvement Refunding Bonds of 2017, Series C	3.00 - 5.00	11/15/2017	10/1/2031	102,959,240	91,113,720
Consolidated Public Improvement Refunding Bonds of 2017, Series D	3.00 - 4.00	11/15/2017	11/1/2029	64,461,514	56,426,238
Consolidated Public Improvement Series E	Variable	12/19/2017	2028-2037	49,938,000	49,938,000
Consolidated Public Improvement Bonds of 2018, Series A	3.50 - 5.00	11/8/2018	11/1/2038	100,196,798	94,302,869
Consolidated Public Improvement Bonds of 2019, Series A	3.50 - 5.00	11/7/2019	11/1/2039	103,379,313	97,636,018
Tax-Exempt Serial Bonds Series 2020A	1.75 - 4.00	8/5/2020	8/1/2040	125,297,590	118,702,980
Tax-Exempt Serial Bonds Series 2020B	4.0	8/5/2020	11/1/2032	45,141,571	45,141,571
Taxable Serial Bonds, Series C	0.50 - 1.85	8/5/2020	11/1/2034	132,419,653	132,419,653
General Obligation Consolidated Public Improvement and Refunding Bonds of 2021, Series A	2.00 - 5.00	9/8/2021	8/1/2041	141,885,810	134,791,520
Refunding of 2011A Refunding Bonds	5.00	9/8/2021	8/1/2022	11,251,520	
Consolidated Public Improvement Bonds of 2022, Series A	4.00 - 5.00	9/1/2022	8/1/2042		42,084,787
Total				<u>\$ 1,229,073,613</u>	<u>\$ 1,160,237,312</u>

NOTES:

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

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

Source: Montgomery County, Maryland Debt Service Program, Direct Debt, Issues Through June 30, 2023

**MONTGOMERY COUNTY, MARYLAND
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils as of September (7)
2014	1,029,222	\$ 76,436,416	\$ 74,266	544,271	520,698	4.3 %	151,298
2015	1,038,524	82,025,296	78,983	547,229	526,310	3.8	153,852
2016	1,045,476	86,856,827	83,079	544,650	526,510	3.3	156,447
2017	1,054,403	89,327,351	84,718	561,370	543,489	3.2	159,010
2018	1,056,926	90,438,012	85,567	565,885	548,536	3.1	161,545
2019	1,060,230	91,221,261	86,039	576,770	560,710	2.8	162,680
2020	1,061,243	92,866,711	87,507	559,037	525,071	6.1	165,267
2021	1,054,827	97,825,022	92,740	546,559	518,901	5.1	160,564
2022	1,061,814	97,170,000	91,513	546,813	530,944	2.9	164,890
2023	1,068,846	101,660,000	95,112	539,974	528,657	2.1	160,554

NOTES:

- (1) Sources: Data for 2014–2021 is from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2022 and 2023 is estimated by the Montgomery County Department of Finance. Data from 2014–2020 was revised by BEA.
- (2) Sources: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest, and dividends. Data for 2014–2020 was revised by BEA. Data for 2021 is from BEA, and data for 2022 and 2023 is estimated by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population and was revised by BEA from 2014–2020.
- (4) Sources: 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 is published by BLS for 2014–2022. Data from 2018 through 2022 was revised by BLS. Data for 2023 is estimated by the Montgomery County Department of Finance.
- (5) Sources: 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 2014–2022 is published by BLS with the revised numbers for 2018–2022. Data for 2023 is estimated by the Montgomery County Department of Finance.
- (6) The unemployment rates for 2014–2022 were published by the Bureau of Labor Statistics, U.S. Department of Labor. The unemployment rates for 2018 through 2022 were revised by BLS. The unemployment rate for 2023 is estimated by the Montgomery County Department of Finance based on the estimate of the civilian labor force and the estimate of resident employment.
- (7) Source: Provided by the Montgomery County Public Schools to the state of Maryland as of September 30, 2023.

Table Reference Source: Montgomery County FY 2023 Table 23

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

Employer	Fiscal Year 2023			Fiscal Year 2014		
	Rank	Employees (1)	Percentage of Total County Employment (2,3)	Rank	Employees (1)	Percentage of Total County Employment (2,3)
U.S. Department of Health and Human Services	1	25,000 - 30,000	6.05 %	1	25,000 - 30,000	6.09 %
Montgomery County Public Schools	2	25,000 - 30,000	6.05	2	25,000 - 30,000	6.09
Montgomery County Government	3	10,000-15,000	2.75	4	10,000 - 15,000	2.77
U.S. Department of Commerce	4	5,000-10,000	1.65	5	5,000 - 10,000	1.66
U.S. Department of Defense	5	5,000-10,000	1.65	3	10,000 - 15,000	2.77
Adventist Healthcare	6	5,000-10,000	1.65	6	2,500 - 5,000	0.83
AstraZeneca Pharmaceuticals LP	7	2,500-5,000	0.82		*	-
Holy Cross Hospital of Silver Spring	8	2,500-5,000	0.82	10	2,500 - 5,000	0.83
Montgomery College	9	2,500-5,000	0.82	9	2,500 - 5,000	0.83
Giant Food Corporation	10	2,500-5,000	0.82		*	-
Marriott International Admin Svcs, Inc.		*	-	7	5,000 - 10,000	0.83
Lockheed Martin Corporation		*	-	8	5,000 - 10,000	0.83
Total			<u>23.08 %</u>			<u>23.53 %</u>

NOTES:

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

Source: Department of Labor, Licensing and Regulation

Analysis and Information - Major Employer List - 1st, 2nd and 3rd quarters of FY 2023 and 4th quarter of CY 2013.

- (1) Information such as the actual number of employees is not available for disclosure.
- (2) Percentages are based on the midpoint of the employment range and average total Montgomery County employment of FY 2023 and FY 2014 according to the Bureau of Labor Statistics, U.S. Department of Labor. Employee counts for federal and military facilities exclude contractors to the extent possible.
- (3) Total average payroll employment was 454,800 in FY 2023, and 451,809 in FY 2014.

Table Reference Source: Montgomery County FY 2023 Table 22



Students Perform at the Annual Dance Showcase

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental Activities:				
Instruction:				
Total enrollment ⁽¹⁾	151,289	153,852	156,447	159,010
Regular students ⁽¹⁾	149,390	152,092	154,288	157,047
ESOL students ⁽²⁾	22,088	23,386	26,127	25,867
Special education classroom students ⁽²⁾	16,339	16,462	17,053	17,861
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 17,240	\$ 16,919	\$ 16,833	\$ 17,538
Number of teaching stations ⁽³⁾	7,584	7,595	8,307	8,307
Average Teacher Salary ⁽⁶⁾	\$ 75,452	\$ 76,029	\$ 75,717	\$ 79,604
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	14:1	14:1	14:1
Average SAT score ^{(1) *}	1,650	1,629	1,631	1,126
Seniors taking SAT ⁽¹⁾	69 %	68 %	65 %	62 %
Average ACT score	24	24	25	25
Seniors taking ACT	29.6 %	34 %	35.6 %	39.6 %
Building capacity used ^{(3) #}	99 %	101 %	101 %	101 %
Support services:				
Student transportation:				
Number of buses ⁽¹⁾	1,270	1,273	1,287	1,290
Students transported ⁽¹⁾	101,949	101,949	104,000	101,225
Operation of plant:				
School buildings ⁽¹⁾	202	203	204	204
Square footage ⁽³⁾	24.9 million	24.9 million	23.9 million	23.7 million
Number of rooms ⁽³⁾	8,157	8,169	8,184	8,320
Maintenance of plant:				
Work orders completed	59,862	63,980	67,083	67,740
Average building age (years) ^{(3) +}	23	22	24	25
Administration:				
Payments issued	64,506	61,911	57,476	56,441
Purchased orders issued	48,375	37,763	37,929	36,153
Business-Type Activities:				
Food Service:				
Meals served ⁽⁷⁾	15.1 million	17.2 million	17.6 million	17.7 million
Free and Reduced meals ⁽⁷⁾	10.3 million	11.9 million	12 million	11.7 million
Real Estate Management:				
Square footage under lease	185,375	179,686	207,177	173,797
Average annual rental months	11.06	11.7	11.1	11.6
Field Trip:				
Number of trips run	11,509	11,187	12,264	13,266
Trip miles	421,296	436,954	478,034	503,020
Entrepreneurial activities:				
Science kits sold	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 totaling 1,600 to a three-part exam totaling 2,400 & changed back to 1600 in 2016.

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

Capacity calculation for elementary schools for students/classroom is currently 23.

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

Overall field trips and field trip miles reduced due to no trips taking place after March 2019 due to the pandemic.

Reduction in leased space for FY 2022 is due to the Fairland Center no longer being leased.

All science kits in FY 2021 were developed for individual use and sold as individual kits.

Sources for 2023:

(1) The Superintendent's FY 2024 Operating Budget Summary

Total schools are 210 with breakdown: 136 elementary schools; 40 middle schools; 26 high schools; 1 Career & Technology HS (Edison); 5 Special Education Centers (Stephen Knolls, Longview, RICA, Rock Terrace, and Carl Sandburg); 1 Alternative Education Center (Blair Ewing Center) & 2 Early Childhood Learning Centers.

(2) 2022-2023 Schools-at-a-Glance, FY 2024 Capital Budget

(3) FY 2024 Educational Facilities Master Plan and the FY 2023-2028 Capital Improvements Program

(4) Various Board departments where not otherwise noted

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

(6) FY 2023 Fact Sheet prepared by Employee and Retiree Service Center.

(7) Breakfast and lunch were served until 3/13/20 due to COVID-19. Summer meals have been served after this period and are not included in these figures. All meals during FY 2021 were charged at no cost due to USDA waivers during the pandemic.

Fiscal Year						
2018	2019	2020	2021	2022	2023	
161,470	162,600	165,267	160,564	158,232	160,534	
159,447	160,519	163,097	158,599	156,561	158,850	
26,597	28,651	28,417	24,897	26,067	30,335	
18,084	18,211	18,965	19,268	19,463	20,227	
\$ 17,203	\$ 18,174	\$ 18,272	\$ 17,317	\$ 17,572	\$ 18,189	
7,987	8,083	8,169	8,206	8,827	8,371	
\$ 82,809	\$ 81,085	\$ 83,828	\$ 83,655	\$ 85,569	\$ 87,604	
14:1	14:1	14:1	13:1	14:1	13:01	
1,167 *	1,119 *	NA *	1,224	1,127	1,064	
66 %	76 %	NA %	37.6 %	65.2 %	80.1 %	
25	26	NA	28	27	27	
34.4 %	30.7 %	NA %	12.6 %	12 %	11.6 %	
101 %	101 %	96 %	96 %	95 %	95 %	
1,323	1,378	1,378	1,379	1,278	1,365	
102,067	104,555	103,973	44	101,592	102,172	
205	207	207	207	209	210	
24.3 million	24.4 million	24.9 million	25.1 million	25.5 million	25.6 million	
8,540	8,640	8,721	8,758	9,373	8,861	
69,918	73,466	65,703	58,900	70,968	68,941	
25	26	26	26	27	22	
54,787	53,609	45,667	30,182	41,236	42,436	
34,543	32,411	24,918	18,700	27,396	29,652	
17.4 million	16.9 million	11.9 million	7.4 million	20.3 million	16.0 million	
11.3 million	10.9 million	7.5 million	-	-	10.2 million	
192,500	187,912	201,894	211,831	173,745	123,258	
11.6	11.7	11.7	11.6	12	11.00	
13,295	13,885	11,767	478	25,037	12,581	
522,322	549,635	394,882	18,226	294,557	486,078	
2,056	3,654	1,710	1,472	1,907	1,652	

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

	2014	2015	2016	2017
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	9,887	10,119	10,029	10,572
Other staff	1,205	1,085	1,022	1,141
Total Regular instruction	<u>11,092</u>	<u>11,204</u>	<u>11,051</u>	<u>11,713</u>
Special education:				
Teachers	2,201	2,241	2,272	2,299
Other staff	1,591	1,626	1,659	1,682
Total Special education	<u>3,792</u>	<u>3,867</u>	<u>3,931</u>	<u>3,981</u>
School administration	1,675	1,678	1,655	1,678
Student personnel services	108	112	112	112
Total Instruction	<u>16,667</u>	<u>16,861</u>	<u>16,749</u>	<u>17,484</u>
Support Services:				
Student transportation	1,733	1,733	1,721	1,741
Operation of plant	1,442	1,594	1,594	1,592
Maintenance of plant	375	351	356	354
Administration	333	347	341	336
Total Support services	<u>3,883</u>	<u>4,025</u>	<u>4,012</u>	<u>4,023</u>
Special Revenue:				
Instructional TV	13	14	14	14
Business-Type Activities:				
Food Service	583	585	585	588
Real Estate Management	7	7	9	12
Field Trips	5	5	5	5
Entrepreneurial activities	13	13	14	12
Position Grand Total	<u>21,171</u>	<u>21,510</u>	<u>21,388</u>	<u>22,138</u>

Source:
The Superintendent's FY 2023 Operating Budget

Fiscal Year					
2018	2019	2020	2021	2022	2023
10,611	10,716	10,882	11,072	11,241	11,205
<u>1,056</u>	<u>1,071</u>	<u>1,120</u>	<u>1,140</u>	<u>1,213</u>	<u>1,233</u>
<u>11,667</u>	<u>11,787</u>	<u>12,002</u>	<u>12,212</u>	<u>12,454</u>	<u>12,438</u>
2,355	2,387	2,461	2,507	2,546	2,589
<u>1,699</u>	<u>1,743</u>	<u>1,787</u>	<u>1,869</u>	<u>1,940</u>	<u>1,942</u>
<u>4,054</u>	<u>4,130</u>	<u>4,248</u>	<u>4,376</u>	<u>4,486</u>	<u>4,531</u>
1,689	1,680	1,700	1,716	1,734	1,783
<u>118</u>	<u>123</u>	<u>118</u>	<u>151</u>	<u>168</u>	<u>1783</u>
<u>17,528</u>	<u>17,720</u>	<u>18,068</u>	<u>18,455</u>	<u>18,842</u>	<u>18,752</u>
1,737	1,747	1,760	1,834	1,831	1,837
1,617	1,636	1,653	1,682	1,686	1,725
369	369	369	359	342	341
<u>366</u>	<u>356</u>	<u>363</u>	<u>370</u>	<u>404</u>	<u>420</u>
<u>4,089</u>	<u>4,108</u>	<u>4,145</u>	<u>4,245</u>	<u>4,263</u>	<u>4,322</u>
14	14	14	14	14	14
588	598	604	608	603	604
12	12	12	11	10	10
5	5	5	5	5	5
<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
<u>22,248</u>	<u>22,469</u>	<u>22,860</u>	<u>23,350</u>	<u>23,748</u>	<u>23,720</u>



Paint Branch High School Graduates

MCPS NONDISCRIMINATION STATEMENT

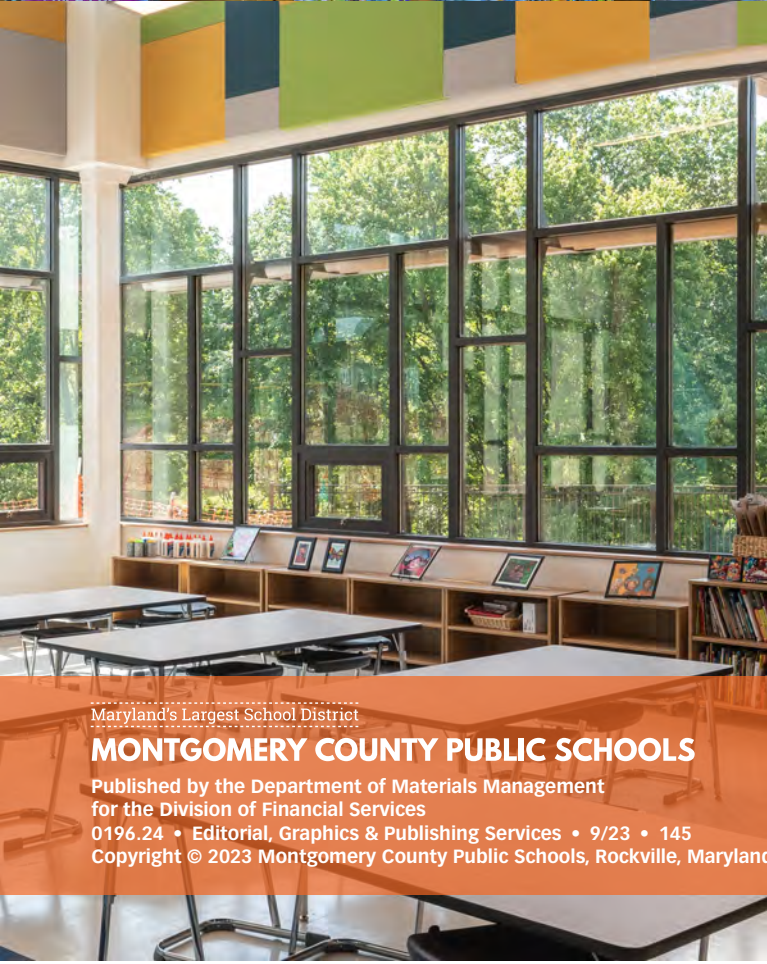
Montgomery County Public Schools (MCPS) prohibits illegal discrimination based on race, ethnicity, color, ancestry, national origin, nationality, religion, immigration status, sex, gender, gender identity, gender expression, sexual orientation, family structure/parental status, marital status, age, ability (cognitive, social/emotional, and physical), poverty and socioeconomic status, language, or other legally or constitutionally protected attributes or affiliations. Discrimination undermines our community's long-standing efforts to create, foster, and promote equity, inclusion, and acceptance for all. The Board prohibits the use of language and/or the display of images and symbols that promote hate and can be reasonably expected to cause substantial disruption to school or district operations or activities. For more information, please review Montgomery County Board of Education Policy ACA, *Nondiscrimination, Equity, and Cultural Proficiency*. This Policy affirms the Board's belief that each and every student matters, and in particular, that educational outcomes should never be predictable by any individual's actual or perceived personal characteristics. The Policy also recognizes that equity requires proactive steps to identify and redress implicit biases, practices that have an unjustified disparate impact, and structural and institutional barriers that impede equality of educational or employment opportunities. MCPS also provides equal access to the Boy/Girl Scouts and other designated youth groups.**

For inquiries or complaints about discrimination against MCPS students*	For inquiries or complaints about discrimination against MCPS staff*
Director of Student Welfare and Compliance Office of District Operations Student Welfare and Compliance 850 Hungerford Drive, Room 55, Rockville, MD 20850 240-740-3215 SWC@mcpsmd.org	Human Resource Compliance Officer Office of Human Resources and Development Department of Compliance and Investigations 45 West Gude Drive, Suite 2500, Rockville, MD 20850 240-740-2888 DCI@mcpsmd.org
For student requests for accommodations under Section 504 of the Rehabilitation Act of 1973	For staff requests for accommodations under the Americans with Disabilities Act
Section 504 Coordinator Office of School Support and Well-being Office of Well-being, Learning and Achievement 850 Hungerford Drive, Room 257, Rockville, MD 20850 240-740-5630 504@mcpsmd.org	ADA Compliance Coordinator Office of Human Resources and Development Department of Compliance and Investigations 45 West Gude Drive, Suite 2500, Rockville, MD 20850 240-740-2888 DCI@mcpsmd.org
For inquiries or complaints about sex discrimination under Title IX, including sexual harassment, against students or staff*	
Title IX Coordinator Office of District Operations Student Welfare and Compliance 850 Hungerford Drive, Room 55, Rockville, MD 20850 240-740-3215 TitleIX@mcpsmd.org	

**Discrimination complaints may be filed with other agencies, such as the following: U.S. Equal Employment Opportunity Commission (EEOC), Baltimore Field Office, GH Fallon Federal Building, 31 Hopkins Plaza, Suite 1432, Baltimore, MD 21201, 1-800-669-4000, 1-800-669-6820 (TTY); Maryland Commission on Civil Rights (MCCR), William Donald Schaefer Tower, 6 Saint Paul Street, Suite 900, Baltimore, MD 21202, 410-767-8600, 1-800-637-6247, mCCR@maryland.gov; or U.S. Department of Education, Office for Civil Rights (OCR), The Wanamaker Building, 100 Penn Square East, Suite 515, Philadelphia, PA 19107, 1-800-421-3481, 1-800-877-8339 (TDD), OCR@ed.gov, or www2.ed.gov/about/offices/list/ocr/complaintintro.html.*

***This notification complies with the federal Elementary and Secondary Education Act, as amended.*

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Maryland's Largest School District

MONTGOMERY COUNTY PUBLIC SCHOOLS

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