MONTGOMERY COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

MONTGOMERY COLLEGE
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YEARS ENDED JUNE 30, 2018 AND 2017

MONTGOMERY COLLEGE
LISTING OF BOARD OF TRUSTEES AND
SECRETARY-TREASURER TO THE BOARD OF TRUSTEES
JUNE 30, 2018

BOARD OF TRUSTEES

OFFICE OF THE PRESIDENT

MONTGOMERY COLLEGE
CERTIFICATION OF
ANNUAL FINANCIAL STATEMENTS

In connection with the attached Annual Financial Statements of Montgomery College, we hereby certify that:

1. The attached Annual Report is true, complete and correct in all material respects, and the financial statements therein have been prepared in accordance with accounting principles generally accepted in the United States of America.

2. The information set forth herein, and on each of the schedules hereto, is complete and accurate in all material respects and contains full and complete disclosure of all pertinent information in connection with the operations of the College. Based on our knowledge, the Report does not contain any untrue statement of a material fact or omit a material fact.

3. We have designed such internal controls and procedures to ensure that material information relating to the College, including component units is made known to us and have established an effective system of internal control.

4. Based upon the above, we certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the College.

5. There have been no material adverse changes in operations since the date these statements were prepared to the date of the Certification.

Stephen D. Cain Date: 10/5/18

Stephen D. Cain
Acting President

Donna Schena Date: 10/5/18

Donna Schena
Interim Senior Vice President for Administrative and Fiscal Services

9221 Corporate Boulevard, Rockville, MD 20850 | 240-567-5267 | montgomerycollege.edu/president

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Montgomery College
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montgomery College (the College), a component unit of Montgomery County, Maryland, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of Montgomery College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Montgomery College as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 23, to the financial statements, in 2018, Montgomery College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation, the College reported a restatement for the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the College's net OPEB liability and related ratios – GASB #75, schedules of the College's OPEB contributions – GASB #75, schedules of funding progress and employer contributions for other post-employment benefit plan – GASB # 45, schedules of the College's proportionate share of the net pension liability, and the schedules of the colleges pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Listing of Board of Trustees and Secretary-Treasurer to the Board of Trustees and the Certification of Annual Financial Statements as listed in the table of contents has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Board of Trustees
Montgomery College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 5, 2018

This section of Montgomery College's (College) basic financial statements presents management's discussion and analysis (MD&A), providing an overview of its financial activities as of and for the years ended June 30, 2018, 2017 and 2016. The intent of this review is to look at the College's financial performance as a whole. This analysis should be read in conjunction with the financial statements on pages 17 - 24 as well as the more detailed information in the related notes to the financial statements on pages 25 - 87. The MD&A, financial statements and the related notes are the responsibility of management.

This narrative explaining management's review and analysis is divided into the following four parts:

- An overview of the College's financial statements and financial highlights.
- An analysis of the College's Statement of Net Position.
- An analysis of the College's Statement of Revenues, Expenses and Changes in Net Position.
- An analysis of the College's Statement of Changes in Cash Flow.

Overview of the Financial Statements

The Governmental Accounting Standards Board (GASB) prescribes the College's three basic financial statements as the *Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*. These statements reflect the net value of assets and the results of operations on a College-wide basis.

The College has implemented GASB Statement No. 39, as amended by GASB 61; *Determining Whether Certain Organizations are Component Units*. This Statement addresses the conditions under which institutions should include associated fund-raising or research foundations as component units in their financial statements. The Montgomery College Foundation, Inc. (the Foundation) and the Pinkney Innovation Complex for Science & Technology for Montgomery College Foundation, Inc.(PIC MC) meet criteria for qualifying as component units. The Foundation is discretely presented after the College's financial statements and reference should be made to the separately audited financial statements of this component unit for additional information. PIC MC is blended with the College's reporting. This MD&A excludes the financial condition and results of operations of the Foundation.

The supplementary information section contains statements and schedules, which are informational in their support to the College-wide financial statements. All statements are prepared using the accrual basis of accounting, which records all the current year's revenues and expenses regardless of when the cash was received or paid.

The major factors impacting operations in FY2018 were the continued stability of government support to the College and our commitment to student retention and completion. The College was successful in stemming the decline in student count that is comparable on a percentage basis to that experienced in FY2017 and just slightly higher than what was experienced in FY2016. In addition, the College implemented cost containment measures in FY2018 and realized certain one-time revenues through the sale of assets and the recognition of a supplemental state grant received for its commitment to keep tuition increases affordable.

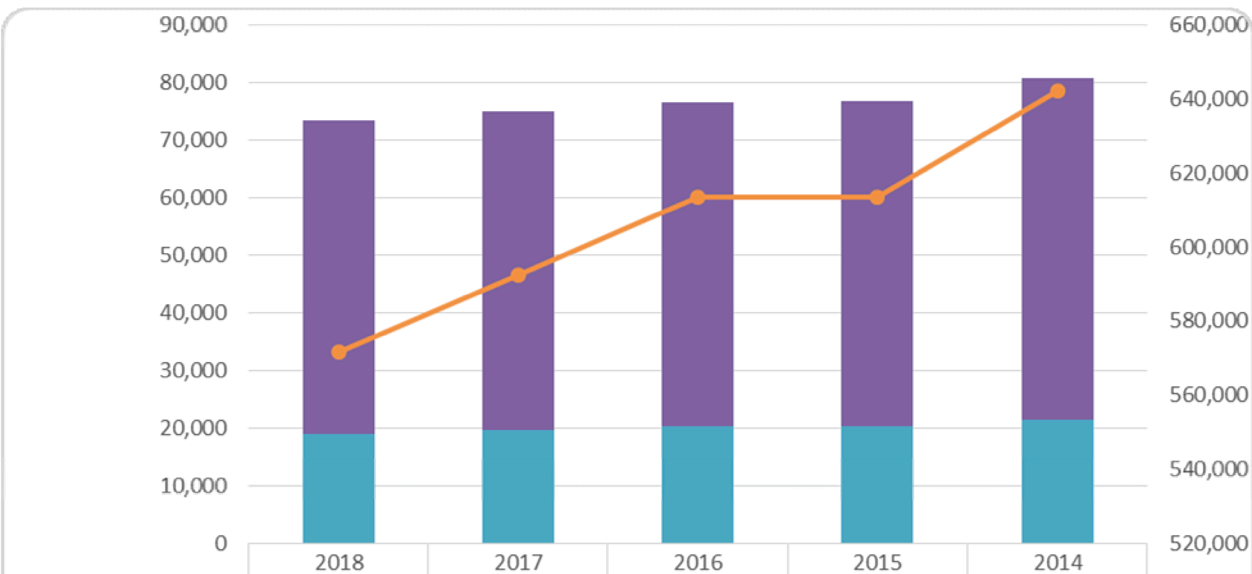
Government Support/Appropriations-Operating and non-operating revenues support the College's mission. Operating revenues include tuition, fees, and auxiliary sales and non-operating revenues include state and county appropriations and grants.

Overview of the Financial Statements (continued)

The following chart illustrates the support the College has received from the County and the State for the fiscal years ended FY2016-FY2018. This increase is evidence of the commitment of the County and State in support of the College's mission to empower our students to change their lives and to build a highly skilled workforce.

For the years ended June 30 (in millions)	FY2018	FY2017	FY2016	Percent Change	
				2018/17	2017/16
County appropriations	$141.27	$136.00	$129.43	3.9%	5.1%
State appropriations	42.51	42.26	40.00	0.6%	5.7%
Total	$183.78	$178.27	$169.43	3.1%	5.2%

Student Enrollment and Student Score Card - Total FY2018 enrollment was 19,051 FTE students. The decline from FY2017 continues to reflect a nationwide trend that is impacting all community colleges. As the economic conditions improve and more individuals return to work, community college enrollment typically experiences a decline. Montgomery County's unemployment rate is lower than the national unemployment rate and the rate for the entire state of Maryland as of June 30, 2018. The College is dedicated to investigating ways to continue to stabilize enrollment including strategies for increasing recruitment, retention and completion numbers. Keeping tuition affordable and balancing the contributions from our county and state is a key goal of the College.

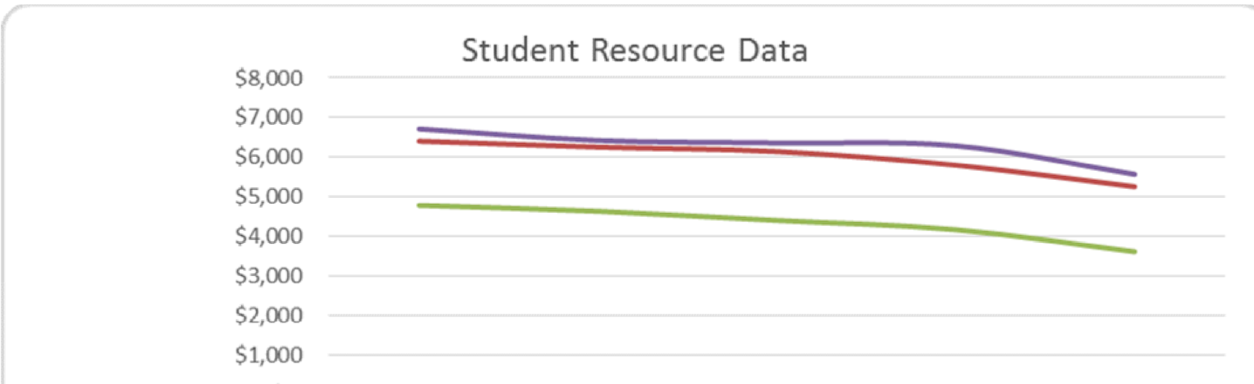


	2018	2017	2016	2015	2014
Student Count	54,335	55,243	56,001	56,228	59,389
FTE's	19,051	19,743	20,447	20,450	21,403
Credit Hours	571,530	592,310	613,417	613,508	642,234

Overview of the Financial Statements (continued)

- Montgomery College's enrollment is budgeted to be 19,068 in full-time equivalent (FTE) students for FY2019 which is only a slight decrease when compared to the FY2018 projection. Montgomery County Public Schools is projecting an increase in the number of 12^{TH} grade students through fiscal year ending 2022. Montgomery College anticipates a draw from the County schools of approximately 20-25 percent.

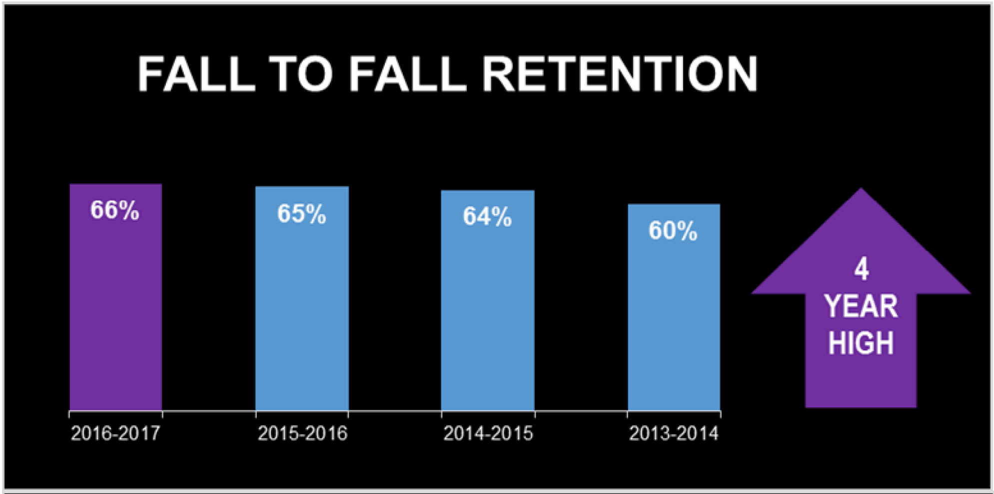
- As indicated in the graph below, the cost per student metric continues to rise year over year, however, the increase of 2 percent in FY2018 is below the increase in revenue per student of 4 percent. Whereas in FY2017, the opposite was true. The cost per student rose 2 percent while the revenue per student only rose 1 percent in that year.

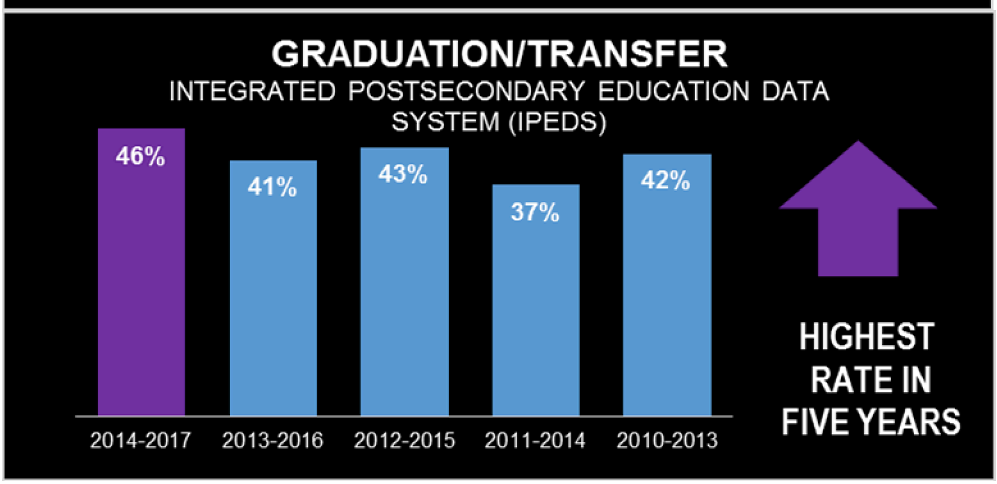


	2018	2017	2016	2015	2014
Cost per std	$6,410	$6,260	$6,148	$5,803	$5,262
T&F+Gov App per std	$4,782	$4,633	$4,404	$4,174	$3,621
Total Rev per std	$6,717	$6,428	$6,365	$6,293	$5,571

- The Student Success Score Card was introduced four years ago as a tool for tracking trends in student achievement. Several measures are showing positive trends: fall-to-fall retention was up to 66 percent and the College's three-year graduation and transfer rates for new, full-time, award seeking students rose to the highest ever, 46 percent in FY2017, as defined by the Integrated Postsecondary Education Data System (IPEDS).

Overview of the Financial Statements (continued)





Cost Containment/Sustainability Measures - In FY2018, as in prior years, the College has worked diligently to be good stewards of their budget to ensure cost efficiencies and savings in support of student success. The following cost containment/sustainability initiatives were implemented during the year:

- Implemented a new compensation model to align the College's compensation program with market based pay data creating new pay grades and ranges.
- Monitored its employee base and complement yielding savings of approximately 1 percent.
- Implemented measured reductions in non-essential expenditures through strategic budgeting and ongoing assessment of major operational expenses yielding savings of approximately 2 percent.

Analysis of Statement of Net Position

The *Statement of Net Position* presents information on the College's assets and liabilities with the difference between the two reported as "net position". This statement is prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expense and liabilities are recognized when others provide service to the College, regardless of when cash is exchanged. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the College is improving or deteriorating, when considered along with non-financial indicators such as enrollment levels.

The table below highlights the components of net position as of June 30, 2018, 2017 and 2016:

				Percent Change	
As of June 30, (in millions)	2018	2017*	2016*	2018/17	2017/16
Assets and Deferred Outflows					
Current Assets	$ 97.73	$ 92.44	$ 96.70	5.7%	-4.4%
Noncurrent Assets	602.81	593.31	544.78	1.6%	8.9%
Total Assets	700.54	685.75	641.48	2.2%	6.9%
Deferred Outflows of Resources	11.84	6.83	5.60	73.4%	22.0%
Total Assets and Deferred Outflows of Resources	$712.37	$692.58	$647.08	2.9%	7.0%
Liabilities and Deferred Inflows					
Liabilities					
Current Liabilities	$ 40.46	$ 37.40	$ 37.48	8.2%	-0.2%
Noncurrent Liabilities	174.62	115.14	78.73	51.7%	46.2%
Total Liabilities	215.08	152.53	116.21	41.0%	31.3%
Deferred Inflows of Resources	12.13	3.50	3.62	246.6%	-3.3%
Net Position					
Net Investment in Capital Assets	516.50	501.36	485.78	3.0%	3.2%
Unrestricted	(31.34)	35.19	41.46	-189.1%	-15.1%
Total Net Position	485.16	536.55	527.24	-9.6%	1.8%
Total Liabilities, Deferred Inflows of Resources, Net Position	$712.37	$692.58	$647.08	2.9%	7.0%

*This data is not adjusted retrospectively for the implementation of GASB Statement No. 75.

Analysis of Statement of Net Position (continued)

- Current assets were restored to an amount in excess of the FY2016 level with an increase of $5.29 million or 5.7 percent; primarily due to an increase in cash and cash equivalents in FY2018. Liquidity has deteriorated slightly with the ability of current assets to cover current liabilities at 2.4 times for FY2018, 2.5 times for FY2017, and 2.6 times for FY2016. For FY2018, one month of operating expenses was approximately $28.75 million as compared to $28.61 million in FY2017, and the ability of current assets to cover slightly above 3 months of operating expenses is consistent year over year. For purposes of comparison, the decline in current assets from FY2017 to FY2016 of $4.26 million or (4.4) percent was primarily due to a decrease in cash and cash equivalents.

- Increases to non-current assets in FY2018 were modest, $9.50 million or 1.6 percent, as compared to the increases in non-current assets of $48.53 million or 8.9 percent in FY2017 which were due primarily to the addition of the Central Services Building, the Rockville Campus Garage and major renovations of College facilities.

- Current liabilities increased slightly $3.06 million or 8.2 percent in FY2018 due to normal business operational payables and accruals. The change in FY2017 over FY2016 current liabilities was insignificant.

- Non-current liabilities increased $59.48 million or 51.7 percent in FY2018 primarily due to the recognition of the net OPEB liability of $64.37 million, with offsetting decreases in the net pension liability and long-term liabilities. In FY2017, non-current liabilities increased $36.41 million or 46.2 percent due to additional leases for the Central Services Building and the Rockville Campus Garage.

- Unrestricted net position decreased by $66.53 million or 189.1 percent in FY2018 primarily due to the implementation of GASB Statement No. 75, which resulted in a restatement of beginning net position of $68.08 million.

Analysis of Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are classified as either operating or non-operating. Generally, a public college, like Montgomery College, will report an operating loss, as the required financial reporting model per Governmental Accounting Standards Board (GASB) Statements Nos. 34 & 35 classifies state and local appropriations and Federal Pell grants as non-operating revenues even though these resources support operating activities.

				Percent Change	
For the years ended June 30 (in millions)	2018	2017*	2016*	2018/17	2017/16
Operating Revenue					
Student Tuition/Fees	$ 59.91	$ 61.16	$ 62.47	-2.0%	-2.1%
Grants & Contracts	17.40	17.09	16.00	1.8%	6.8%
Auxiliary Enterprises	5.21	5.95	11.65	-12.4%	-48.9%
Other Operating Revenue	5.75	1.95	1.84	194.9%	6.0%
Total Operating Revenue	88.27	86.15	91.96	2.5%	-6.3%
Operating Expenses	345.05	343.26	342.45	0.5%	0.2%
Operating Loss	(256.78)	(257.10)	(250.50)	-0.1%	2.6%
Non-Operating Revenue (Expense)					
State/Local Appropriation	183.78	178.27	169.43	3.1%	5.2%
State Paid Benefits	16.16	16.50	14.75	-2.1%	11.9%
Federal Pell Grants	27.93	28.11	30.92	-0.6%	-9.1%
Investment and Interest Income	0.87	0.40	0.67	117.5%	-40.3%
Interest Expense	(3.00)	(2.42)	(1.76)	24.0%	37.5%
Total Non-Operating Revenue, Net	225.74	220.86	214.01	2.2%	3.2%
Loss Before Other Revenues (Expenses)	(31.04)	(36.25)	(36.49)	-14.4%	-0.7%
Other Revenues (Expenses)					
Capital Appropriation	47.93	45.69	48.73	4.9%	-6.2%
Capital Grants, Contracts and Gifts	0.04	-	-	-	-
Loss on Disposal of Capital Assets	(0.23)	(0.14)	(0.06)	64.3%	133.3%
Total Other Revenue, Net	47.74	45.55	48.67	4.8%	-6.4%
Increase in Net Position	16.70	9.30	12.18	79.6%	-23.6%
Beginning Net Position	536.54	527.24	515.06	1.8%	2.4%
Change in Net Position due to Restatement-See Note 23	(68.08)	-	-		
Ending Net Position	$485.16	$536.54	$527.24	-9.6%	1.8%

*This data is not adjusted retrospectively for the implementation of GASB Statement No. 75.

Analysis of Statement of Revenues, Expenses, and Changes in Net Position (continued)

The table below reflects the adjusted operating loss after consideration of these crucial revenue streams; state and local appropriations and Federal Pell grants.

For the years ended June 30 (in millions)	2018	2017	2016	Percent Change 2018/17	Percent Change 2017/16
Total operating revenues	$ 88.27	$ 86.15	$ 91.96	2.5%	-6.3%
State/Local Appropriation	183.78	178.27	169.43	3.1%	5.2%
Federal Pell Grants	27.93	28.11	30.92	-0.6%	-9.1%
Adjusted resources	299.98	292.53	292.31	2.5%	0.1%
Operating expenses	345.05	343.26	342.45	0.5%	0.2%
Adjusted operating loss	$(45.07)	$(50.73)	$(50.14)	-11.2%	1.2%

Overall operating revenue increased $2.12 million or 2.5 percent in FY2018, an improvement over FY2017 whereby it decreased $5.81 million or (6.3) percent in FY2017 as compared to FY2016. The major components of operating revenue are explained more fully below:

- Tuition and fees, net of scholarship allowances, have sustained decreases of slightly above $1 million in fiscal years FY2018 and FY2017. Over the last 3 years, as a percentage of total operating revenues, this revenue category averaged 68.9 percent.

- Other operating revenues increased $3.80 million or 194.9 percent in FY2018 due to one-time revenue generators such as the sale of the Takoma Park/Silver Spring Child Care Center and a state supplemental grant.

- As a public institution, the College relies on state and local appropriations as necessary support in meeting the College's mission. This non-operating revenue category accounted for 58.5 percent, 58.1 percent, and 55.4 percent of the College's total operating and non-operating revenues over the last three fiscal years respectively. The upward trend is indicative of the importance that the state and county place on the education provided by the College. Investment and interest income generated an increase of $.47 million or 117.5 percent in FY2018 primarily due to a rise in short term interest rates and an increase in investable assets.

- Montgomery College's goal is to provide a safe, clean, and secure classroom and workplace environment for students and employees. Funding can fluctuate from year to year based on the construction life cycle. In FY2018, the College experienced an increase in capital appropriation of $2.24 million while in FY2017 the College experienced a decrease of $3.04 million.

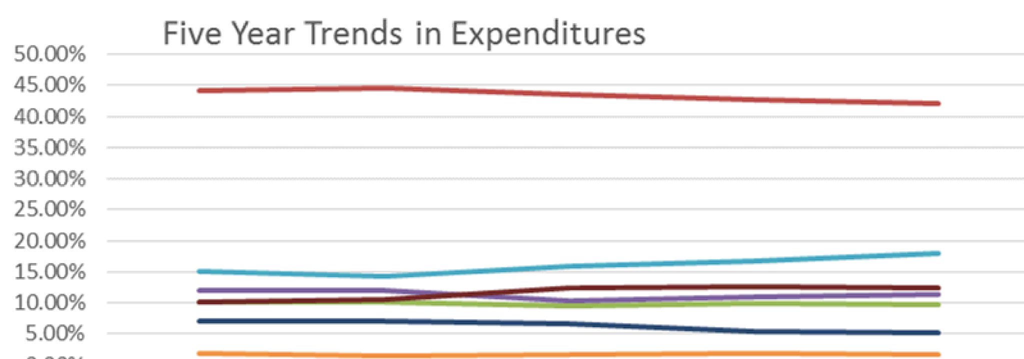
- Overall College operating expenditures reflect modest increases year over year and these figures demonstrate the College's commitment to fiscal sustainability.

<u>Analysis of Statement of Revenues, Expenses, and Changes in Net Position (continued)</u>

- Salaries and benefits continue to be the major component of the College's operating expenses. For fiscal years 2018, 2017, and 2016, salaries and benefits (including State paid retirement costs) remained consistent accounting for 72.3 percent, 71.7 percent and 71.4 percent of total operating expenses, respectively.

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for Postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The impact of this statement was a reduction in the College's unrestricted net position in FY2018 of $68.08 million. However, before the adjustment for GASB No. 75, the College demonstrated an increase in net position of $16.70 million as compared to an increase of $9.30 million and $12.18 million in FY2017 and FY2016, respectively.

Analysis of Expenses by Functional Classification - The graph below depicts that College spending in terms of the percentages for the seven standard reporting classifications has remained relatively consistent year over year. Montgomery College uses incremental budgeting and therefore expects the pattern to be consistent year over year.



	2018	2017	2016	2015	2014
Instruction & Acad Support	44.06%	44.61%	43.45%	42.64%	42.02%
Student Services	10.14%	10.07%	9.60%	9.87%	9.66%
Operation of Plant	11.91%	12.06%	10.37%	10.91%	11.28%
Institutional Support	15.03%	14.22%	15.96%	16.76%	17.88%
Scholarships	1.82%	1.47%	1.59%	1.85%	1.61%
Depreciation	7.01%	7.06%	6.62%	5.47%	5.13%
Other	10.04%	10.51%	12.41%	12.50%	12.42%

Analysis of Statement of Cash Flows

The Statement of Cash Flows provides information about significant sources and uses of cash during the year. This statement helps users assess the College's ability to generate net cash flow and its ability to meet obligations as they come due.

The table below highlights the components of cash flow as of June 30, 2018, 2017 and 2016:

For the years ended June 30 (in millions)	2018	2017	2016
Net Cash Used by Operating Activities	$(214.92)	$(214.13)	$(206.84)
Net Cash Provided by Non-Capital Financing Activities	212.41	207.32	198.67
Net Cash Provided (Used) by Capital and Related Financing Activities	7.68	(2.74)	5.82
Net Cash Provided (Used) by Investing Activities	4.93	6.82	(0.11)
Increase (Decrease) in Cash and Cash Equivalents	10.10	(2.74)	(2.46)
Cash and Cash Equivalents - Beginning of Year	26.74	29.48	31.93
Cash and Cash Equivalents - End of Year	$ 36.84	$ 26.74	$ 29.48

The College's cash and cash equivalents increased by $10.10 million in FY2018 due mainly to maintaining operating expenses consistent with the prior year and an increase in state and local appropriations. However, a decrease of $2.74 million and $2.46 million for FY2017 and FY2016, respectively occurred.

Factors that will Impact Future Financial Position and Results of Operations

Listed below are significant challenges that can affect the future of Montgomery College:

- Montgomery County and the State of Maryland provide significant resources to the College and as such, the economic condition of the state and local region has a major bearing on the future economic health of the College. Montgomery County projects population increases with an average annual growth rate of 0.6 percent over the next six years. Positive population increases may have a positive impact on the County's revenue sources. The County also expects student enrollment in Montgomery County Public Schools (MCPS) to increase by 7,466 students over the next six years. Montgomery College draws approximately 20-25 percent from MCPS.

- Montgomery County also projects increases in two of their main revenue sources; property taxes and income taxes over the same six year period, however, the projected demographic changes in the county anticipate an expanding senior population and minority population which may constrain these resources.

Factors that will Impact Future Financial Position and Results of Operations (Continued)

- As of June 2018, the national unemployment rate was 4.0 percent with a year over year change of (.3) percent. The unemployment rate in Maryland as of June 2018 was 4.3 percent with a year over year change of .2 percent. The rate of unemployment in Montgomery County has been trending lower than both the national and state rates with a rate of 3.8 percent as of June 2018 and a year over year change of (.2) percent.

In conclusion, the College remains fiscally responsible and always vigilant about internal and external factors that have the potential to affect the College's ability to conduct financial business and fulfill its mission. The College resolves to meet these challenges.

Contacting the College's Financial Management- The financial report is designed to provide interested parties with a general overview of Montgomery College's finances. If you have questions about this report or require additional financial information, contact Montgomery College, Office of Business Services, 9221 Corporate Boulevard, Rockville, Maryland 20850.

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 36,839,875	$ 26,737,199
Short-Term Investments	33,782,033	36,846,927
CIP Receivable	14,490,983	17,027,136
Student Accounts Receivable, Net	5,829,159	5,205,158
Grants and Contracts Receivable	2,462,662	3,327,512
Governmental Appropriations Receivable	968,245	1,671,223
Due from Montgomery College Foundation, Inc.	69,967	435,392
Other Receivables	1,752,739	880,832
Inventory	5,916	4,156
Prepaid Expenses and Other Assets	1,523,816	309,002
Total Current Assets	97,725,395	92,444,537
Noncurrent Assets:		
Deposits	47,589	47,589
Long-Term Investments	-	1,006,501
Net Pension Asset	2,680,419	1,005,484
OPEB Asset Value	-	3,741,924
Capital Assets - Net	600,079,997	587,506,203
Total Noncurrent Assets	602,808,005	593,307,701
Total Assets	700,533,400	685,752,238
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	6,651,384	6,784,339
Deferred Loss on Refunding	42,105	44,737
OPEB Deferrals	5,141,936	-
Total Deferred Outflows of Resources	11,835,425	6,829,076
Total Assets and Deferred Outflows of Resources	$ 712,368,825	$ 692,581,314

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2018	2017
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 27,610,497	$ 24,203,013
Overdrafts	317,621	380,193
Unearned Revenue	6,454,430	6,595,906
Due to Other Organizations	1,644,370	1,788,446
Current Portion of Long-Term Liabilities	4,431,613	4,427,633
Total Current Liabilities	40,458,531	37,395,191
Noncurrent Liabilities:		
Unearned Revenue	5,812,040	5,875,502
Net Pension Liability	14,511,796	16,654,033
Net OPEB Liability	64,369,853	-
Long-Term Liabilities	89,926,393	92,609,977
Total Noncurrent Liabilities	174,620,082	115,139,512
Total Liabilities	215,078,613	152,534,703
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	1,673,174	409,611
Deferred Gain on Refunding	2,856,000	3,094,000
OPEB Deferrals	7,606,085	-
Total Deferred Inflows of Resources	12,135,259	3,503,611
NET POSITION		
Net Investment in Capital Assets	516,494,666	501,357,711
Unrestricted	(31,339,713)	35,185,289
Total Net Position	485,154,953	536,543,000
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 712,368,825	$ 692,581,314

MONTGOMERY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowance of $30,961,313 and $31,332,445 Respectively	$ 59,913,517	$ 61,156,820
Federal Grants and Contracts	9,734,998	9,804,374
State Grants and Contracts	5,715,576	5,035,867
Local Grants and Contracts	1,937,856	2,251,693
Auxiliary Enterprises	5,213,130	5,953,518
Other Operating Revenues	5,748,855	1,949,590
Total Operating Revenues	88,263,932	86,151,862
Operating Expenses:		
Educational and General		
Instruction	102,144,133	103,256,728
Research	190,156	277,575
Academic Support	49,870,371	49,884,905
Student Services	34,985,718	34,558,467
Operation of Plant	41,103,093	41,394,549
Institutional Support	51,869,256	48,812,211
Scholarships and Related Expenses	6,264,126	5,031,438
Depreciation Expense	24,172,826	24,236,977
Auxiliary Enterprises	3,276,209	3,662,636
State Paid Benefits	16,157,775	16,497,975
Other Expenditures	15,017,779	15,643,805
Total Operating Expenses	345,051,442	343,257,266
OPERATING LOSS	(256,787,510)	(257,105,404)
NONOPERATING REVENUES (EXPENSES)		
State and Local Appropriations	183,779,031	178,268,835
State Paid Benefits	16,157,775	16,497,975
Federal Pell Grants	27,928,730	28,110,380
Investment and Interest Income	865,349	404,280
Interest Expense on Capital Assets Related Debt	(2,988,884)	(2,425,082)
Nonoperating Revenue (Net)	225,742,001	220,856,388
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(31,045,509)	(36,249,016)
Capital Appropriations	47,926,864	45,690,553
Capital Grants, Contracts and Gifts	40,517	-
Loss on Disposal of Capital Assets	(227,518)	(140,147)
	47,739,863	45,550,406
INCREASE IN NET POSITION	16,694,354	9,301,390
Net Position - Beginning of Year	536,543,000	527,241,610
CHANGE IN NET POSITION DUE TO RESTATEMENT - SEE NOTE 23	(68,082,401)	-
NET POSITION - END OF YEAR	$ 485,154,953	$ 536,543,000

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 59,289,516	$ 62,243,234
Grants and Contracts	18,253,280	17,129,866
Payments to Suppliers	(65,037,381)	(68,325,808)
Payments to Employees	(231,415,182)	(228,813,112)
Payments for Scholarships	(6,264,126)	(5,031,438)
Auxiliary Enterprises	5,213,130	5,953,518
Other Receipts	5,037,435	2,709,498
Net Cash Used by Operating Activities	(214,923,328)	(214,134,242)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Appropriations	184,482,009	179,244,563
Federal Pell Grants	27,928,730	28,110,380
Direct Loan Receipts	14,528,532	18,079,835
Direct Loan Disbursements	(14,528,532)	(18,079,835)
Student Organization Agency Transactions - Net	-	(39,337)
Net Cash Provided by Noncapital Financing Activities	212,410,739	207,315,606
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	50,463,019	39,746,085
Capital Grants, Contracts and Gifts	40,517	-
Purchase of Capital Assets	(36,974,140)	(76,122,693)
Issuance of Capital Leases	1,085,209	38,929,139
Payments for Capital Leases	(3,711,832)	(2,864,000)
Interest Paid	(3,224,252)	(2,425,082)
Net Cash Provided (Used) by Capital and Related Financing Activities	7,678,521	(2,736,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	24,722,503	35,651,529
Interest Income on Investments	865,349	404,280
Purchase of Investments	(20,651,108)	(29,239,441)
Net Cash Provided by Investing Activities	4,936,744	6,816,368
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,102,676	(2,738,819)
Cash and Cash Equivalents - Beginning of Year	26,737,199	29,476,018
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 36,839,875	$ 26,737,199

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (256,787,510)	$ (257,105,404)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	24,172,826	24,236,977
State Paid Benefits	16,157,775	16,497,975
OPEB Benefit Cost	-	1,168,808
Effects of Changes in Operating Assets and Liabilities:		
Receivables, Net	(631,058)	1,711,659
Inventory	(1,760)	(233)
Other Assets	(1,214,814)	1,421,746
Pension Asset (Liability)	(3,817,172)	-
Accounts Payable	3,407,484	(2,196,855)
Aetna Pension Liability	(22,532)	-
Net OPEB Liability	(4,028,048)	-
Deferred Resources - Pension	1,396,518	320,330
Deferred Resources - Bond Refinancing	-	(235,369)
Deferred Resources - OPEB	(1,084,512)	-
Deferred Resources - OPEB	7,606,085	-
Overdrafts	(62,572)	122,168
Unearned Revenue	(204,938)	172,595
Compensated Absences	(30,449)	(248,639)
Due to Other Agency	(144,076)	-
Due to MC Foundation	365,425	-
Net Cash Used by Operating Activities	**$ (214,923,328)**	**$ (214,134,242)**

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET ASSETS – COMPONENT UNIT
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 2,748,789	$ 2,663,471
Money Market Funds - Reserved for Construction Project	871,616	1,519,816
Total Cash and Cash Equivalents	3,620,405	4,183,287
Certificates of Deposit - Held to Maturity	2,535,333	2,208,830
Investments	29,512,113	27,878,269
Accounts Receivable - Reserved for Construction Project	119,363	2,463,032
Pledges Receivable, Net	1,775,685	2,302,688
Prepaid Expenses	55,068	65,829
Other Assets	27,809	19,084
Land	2,750,000	2,750,000
Assets Held for Charitable Gift Annuities	90,056	113,980
Net Investment in Capital Lease	81,750,000	84,570,000
Total Assets	$ 122,235,832	$ 126,554,999
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 213,290	$ 2,777,344
Deferred Revenue	15,200	2,500
Accrued Interest Payable	514,561	529,370
Annuities Payable from Charitable Gifts	841,476	869,643
Notes Payable	85,283,178	88,438,205
Total Liabilities	86,867,705	92,617,062
NET ASSETS		
Unrestricted	1,204,268	1,723,113
Temporarily Restricted	11,751,773	10,337,318
Permanently Restricted	22,412,086	21,877,506
Total Net Assets	35,368,127	33,937,937
Total Liabilities and Net Assets	$ 122,235,832	$ 126,554,999

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions and Grants, Net	$ 137,825	$ 2,673,223	$ 537,959	$ 3,349,007
Change in Value of Charitable Gift Annuities	2,333	-	1,910	4,243
Liquidated Charitable Gift Annuities	2,034	-	-	2,034
Contributed Services	555,032	-	-	555,032
Other Noncash Contributions	32,745	3,626	-	36,371
Revenue from Special Events/Activities	-	97,178	-	97,178
Interest and Dividends on Reserved Assets	15,622	-	-	15,622
Interest and Dividends on Unreserved Assets	86,828	603,210	-	690,038
Unrealized Gain on Investments	67,905	930,450	-	998,355
Realized Gain on Investments	57,648	617,954	-	675,602
Interest from Investment in Capital Lease	3,151,576	-	-	3,151,576
Other Income	123	82,425	-	82,548
Net Assets Released from Restrictions	3,598,900	(3,598,900)	-	-
Total Revenue, Gains, and Other Support	7,708,571	1,409,166	539,869	9,657,606
EXPENSES				
Program Services:				
Scholarships	2,508,691	-	-	2,508,691
Student Athletics	12,355	-	-	12,355
Student and Faculty Support - Including Noncash Expenses of $140,505	1,726,876	-	-	1,726,876
Note Interest Expense	2,932,805	-	-	2,932,805
Total Program Services	7,180,727	-	-	7,180,727
General and Administrative - Including Noncash Expense of $390,531	600,742	-	-	600,742
Resource Development - Including Noncash Expenses of $60,367	445,947	-	-	445,947
Total Expenses	8,227,416	-	-	8,227,416
CHANGE IN NET ASSETS	(518,845)	1,409,166	539,869	1,430,190
Net Assets - Beginning of Year	1,723,113	10,337,318	21,877,506	33,937,937
TRANSFERS	-	5,289	(5,289)	-
NET ASSETS - END OF YEAR	$ 1,204,268	$ 11,751,773	$ 22,412,086	$ 35,368,127

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions and Grants, Net	$ 135,428	$ 1,686,538	$ 686,115	$ 2,508,081
Change in Value of Charitable Gift Annuities	178,444	(148,878)	15,268	44,834
Matured Charitable Gift Annuity	-	209,317	-	209,317
Contributed Services	467,823	-	-	467,823
Other Noncash Contributions	96,813	9,396	-	106,209
Revenue from Special Events/Activities	-	87,044	-	87,044
Interest and Dividends on Reserved Assets	28,637	-	-	28,637
Interest and Dividends on Unreserved Assets	72,727	486,839	-	559,566
Unrealized Gain on Investments	99,116	1,492,318	-	1,591,434
Realized Gain on Investments	55,080	412,883	-	467,963
Interest from Investment in Capital Lease	2,598,593	-	-	2,598,593
Other Income	43	149,980	-	150,023
Net Assets Released from Restrictions	3,550,605	(3,550,605)	-	-
Total Revenue, Gains, and Other Support	7,283,309	834,832	701,383	8,819,524
EXPENSES				
Program Services:				
Scholarships	2,145,406	-	-	2,145,406
Student Athletics	11,227	-	-	11,227
Student and Faculty Support - Including Noncash Expenses of $188,017	1,449,952	-	-	1,449,952
Note Interest Expense	2,658,308	-	-	2,658,308
Total Program Services	6,264,893	-	-	6,264,893
General and Administrative - Including Noncash Expense of $340,121	538,248	-	-	538,248
Resource Development - Including Noncash Expenses of $45,894	320,419	-	-	320,419
Total Expenses	7,123,560	-	-	7,123,560
CHANGE IN NET ASSETS	159,749	834,832	701,383	1,695,964
Net Assets - Beginning of Year	1,563,364	9,520,168	21,158,441	32,241,973
TRANSFERS	-	(17,682)	17,682	-
NET ASSETS - END OF YEAR	$ 1,723,113	$ 10,337,318	$ 21,877,506	$ 33,937,937

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity (MC and MCF)

Montgomery College (the College or MC) is considered a "body politic" under Maryland state law as an instrumentality of the state of Maryland (the State).

The College is governed by a 10-member Board of Trustees, nine of whom are appointed for six-year terms by the Governor of Maryland with the advice and consent of the State Senate, and one of whom is a student appointed by the Governor to serve a one-year term.

The College's budget is subject to approval by the Montgomery County Council (the County). The Annotated Code of Maryland states that in order for a board (College) to receive an increase in the State share of support, the County share, in the aggregate, that supports the community college shall be equal to or exceed the aggregate amount of operating fund appropriations made to the board by the County in the previous fiscal year. State funding is based on enrolled eligible full-time equivalent students (marginal cost component) and a fixed cost component.

The College's financial statements include the accounts of the Pinkney Innovation Complex for Science and Technology at Montgomery College (PIC MC) (formerly, Montgomery College Life Sciences Park Foundation Inc. (LSF)). In 2011, the Board of Directors of the College formed the PIC MC for the purpose of supporting the mission of the College or its successor institution and to promote the advancement of education by fostering and expanding educational and research opportunities for faculty and students of the College or its successor institution. Accordingly, the accounts of PIC MC have been blended herein, as required by generally accepted accounting principles. All significant interorganization balances and transactions were eliminated in consolidation.

Montgomery College Foundation, Inc. (the Foundation or MCF) is a legally separate, tax-exempt organization established to enhance the College's mission through fund-raising that benefits the College and its programs. The 22-member board of the Foundation is self-perpetuating and consists of alumni and friends of the College. The majority of resources that the Foundation holds and invests are restricted to the activities of the College by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from the administrative office listed below:

Montgomery College Foundation, Inc.
Director of Finance
9221 Corporate Blvd.
Rockville, Maryland 20850

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (MC and MCF) (Continued)

During the years ended June 30, 2018 and 2017, the Foundation distributed $2,953,964 and $3,338,690, respectively, to the College for both restricted and unrestricted purposes.

Although the College is not a County agency, as a result of the College's relationship with the County, the College's financial statements are considered component unit statements and are properly included in the Comprehensive Annual Financial Report of the County, in accordance with generally accepted accounting principles. Transactions with the County relate primarily to appropriations for operations and capital improvements.

Basis of Presentation (MC and MCF)

The College follows the reporting and disclosure requirements for special purpose governments involved in business-type activities as outlined in Governmental Accounting Standards Board (GASB) Statements Nos. 34, 35, and 38. This provides an entity-wide perspective in the financial statement presentation. These standards require capitalization of assets, recording of depreciation, presentation of management's discussion and analysis, required supplementary information and presentation of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements.

Basis of Accounting (MC)

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when a liability is incurred.

Use of Estimates in Preparing Financial Statements (MC and MCF)

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. From time to time adjustments maybe needed to accurately report financial information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (MC)

The College's tuition and fees revenue is reported net of any scholarship allowance. A scholarship allowance is defined as the difference between the stated charge for tuition, goods, and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The scholarship allowance represents the amount of dollars the College receives as tuition from outside resources such as the Title IV Federal Grant Program, restricted grants, and the College's own Board of Trustees grants. Funds received for tuition costs from outside resources are reported in the appropriate revenue classification. Certain aid such as loans and third-party payments are credited to the student's account as if the student made the payment. For fiscal years 2018 and 2017, the College netted student aid expenses in the amount of $30,961,313 and $31,332,445 against tuition revenue of $90,847,830 and $92,489,265.

Revenue Recognition (MC)

Revenue is recognized on an accrual basis with the establishment of corresponding accounts receivable. Tuition receivables are uncollateralized obligations of students resulting from course registrations. Accounts receivable also include transactions involving governmental appropriations, student loans, grants and contracts, and financial aid. The allowance method for accounts receivable is used to measure bad debts. The allowance for doubtful accounts is determined based upon aging analysis and management's estimation of collectability of such accounts.

Federal Financial Assistance Programs (MC)

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Direct Loans Programs. Federal programs are audited in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Operating and Nonoperating Components (MC)

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities. The College's principal ongoing operations determine operating flow activities. Ongoing operations of the College include, but are not limited to, providing intellectual, cultural and social services through two-year associate degree programs, continuing education programs and continuous learning programs. Operating revenues of the College consist of tuition and fees, grants and contracts (except Federal Pell grants), and auxiliary enterprises revenues.

Financial statement nonoperating components include transactions and other events that are defined as noncapital financing activities, capital-financing activities, and investing activities. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Components (MC) (Continued)

Also included are certain interfund and intergovernmental receipts and payments such as State appropriations, State paid benefits and student organization agency transactions. Capital financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) long-term borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments.

Encumbrances (MC)

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials and services not received during the year. Encumbrances at June 30, 2018 and 2017, respectively, were $12,585,622 and $14,717,666, which represent the estimated amount of expense ultimately to result if unperformed obligations are completed. Encumbrances outstanding at June 30, 2018 and 2017 do not constitute expenses or liabilities and are not reflected in these financial statements.

Net Position (MC)

Net position is classified according to external restrictions or availability of assets for satisfaction of College obligations. Restricted net position is reported as either expendable or nonexpendable. The unrestricted net position for the years ended June 30, 2018 and 2017 was earmarked for:

	2018	2017
Encumbrances	$ 12,585,622	$ 14,717,666
Emergency Repairs and Maintenance	569,927	536,178
Reserve for Major Facility Projects	9,759,076	9,415,677
Reserve for OPEB & Pension Contribution	(73,633,516)	(5,478,243)
Quasi-Endowment	556,037	544,533
Other Purposes	18,823,141	15,449,478
Total	$ (31,339,713)	$ 35,185,289

Expenditures of quasi-endowment funds require approval by the Board of Trustees.

Restricted Net Position – Expendable and Nonexpendable (MC)

The College's restricted net position has constraints placed upon them either: (a) externally imposed by creditors, grantors, contributors, or laws/regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. As such, GASB No. 34 requires the College's restricted net position to be delineated on the financials as either expendable or nonexpendable. Nonexpendable net position is required to be maintained in perpetuity. Expendable net position, for which there are externally imposed constraints, are obligated or expended with the condition(s) of the constraints. The College had no nonexpendable or expendable net position at June 30, 2018 and 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (MC and MCF)

Cash equivalents are items that are readily convertible to cash while carrying an insignificant risk of change in value. Cash equivalents have original maturities at the date of purchase of three months or less.

Certificates of Deposit (MCF)

Certificates of deposit are purchased directly through financial institutions and are stated at cost.

Investments (Short Term and Long Term) (MC)

Short-term investments with maturities of less than one year on June 30, 2018 and 2017 have been included as cash and cash equivalents. Investments consist of banker's acceptances, U.S. government agency and sponsored instruments, and the Maryland Local Government Investment Pool (MLGIP). The MLGIP is valued at amortized cost. All other investments for the College are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses in fair value and interest income are reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

Current and Non-Current (MC)

Current assets include cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with the normal business operation. They can consist of cash, inventories, accounts receivable, loans receivable, marketable securities, and prepaid expenses which meet the conditions stated above. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Other assets and liabilities which extend past the one-year period are classified as noncurrent.

Unamortized Interest (MCF)

Notes payable between the Foundation and the Montgomery County Revenue Authority (the Authority) are funded by bonds issued by the Authority. These bonds have been sold at a premium or discount to their par value. The Foundation received the proceeds from these bond issues net of the costs to issue the bonds and reduced for or increased by the premium or discount on the bonds. The premium or discount has been recorded as unamortized note premium or discount, net of notes payable, which is being amortized over the life of the note as an adjustment to interest expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (MC)

Inventories, consisting principally of cafe supplies, are determined on the first-in, first-out (FIFO) method and are stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Unearned Revenue (MC)

Tuition and fee revenues received and related to the period after June 30, 2018 and 2017 have been recognized as unearned revenue.

Capital Assets (MC)

Capital assets are long-lived tangible assets which include real property (land and buildings) and personal property (equipment, library books, art works). This class of assets will benefit future periods as an asset rather than being treated as an expense in the period that the expenditure occurs. Capital assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, infrastructure, and other tangible assets that have initial useful lives extending beyond a single reporting period. Normally, a dollar threshold is established for each item in this class prior to being classified as a capital asset. The College's policy limit for capitalization is $5,000 per individual asset.

The basis of valuation for assets constructed or purchased is cost, while assets acquired by gift are recorded at their acquisition values. The College records depreciation on all capital assets in accordance GASB Statement No. 35, except for land and art works, and it is not allocated to the functional expenditure categories. Land is not depreciated as it is considered to have an indefinite useful life. Expenditures for construction in progress are capitalized as incurred. The entire library collection is recorded and valued at cost or estimated cost as a unit without regard to individual item cost.

Depreciation is computed on a straight-line basis over estimated useful lives as noted below (depreciation starts in the first full year after the year of acquisition):

Buildings (Including Infrastructures, Alterations, Renovations, and Renewals and Replacements)	35 years
Library Books	10 years
Furniture and Equipment - Acquired prior to July 1, 2005	7 years
Furniture and Equipment - Acquired subsequent to July 1, 2005 as follows:	
Computer Equipment	3 years
Computer Infrastructure	5 years
Equipment	3-7 years
Vehicles	7 years
Instructional Equipment	7 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land (MCF)

Land has been recorded at its appraised value upon receipt of the donation to the Foundation. The land is held primarily for use by the College in support of its operations. Expenditures for any maintenance of the land are borne by the College.

Management reviews the carrying value of the land asset for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such review indicates that the asset is impaired, given that the carrying amount of the asset exceeds its fair value as of the measurement date, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are written down to the lower of cost or fair value. No impairment was recognized for the years ended June 30, 2018 or 2017.

Valuation of Investments (MCF)

Investments are stated at fair value as determined by quoted market prices. Realized and unrealized gains and losses in fair value, interest income, and dividend income are reflected in the Statements of Activities, net of mutual fund expense fees.

Pledges (MCF)

Legally enforceable pledges are recorded as support in the year the pledges are made. Payments to be received in periods beyond one year are reflected at their present value. Pledges deemed uncollectible are charged directly against gift and contribution revenue and pledges receivable is reduced.

Contributions of temporarily restricted net position that are received and expended in the same fiscal year are treated as temporarily restricted revenue and net assets released from restriction in that year.

Permanently Restricted Contributions – Contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the Foundation are included in permanently restricted net assets. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and capital gains on related investments, if any, for general or specific purposes in accordance with the Foundation's spending policy.

Temporarily Restricted Contributions – Contributions subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time are included in temporarily restricted net assets.

Unrestricted Contributions – Contributions are subject to donor-imposed stipulations, or whose restrictions have been satisfied, or are recorded as unrestricted net assets.

Noncash Contributions (MCF)

Noncash contributions are recorded at their fair value on the date of receipt. Certain noncash items received are donations to the College for educational support.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (MC)

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2018 and 2017, the College recognized changes in actuarial assumptions that are being amortized, contributions made subsequent to the measurement date related to pensions, OPEB, and the loss on refunding of bonds totaling $11,835,425 and $6,829,076, respectively, as deferred outflows of resources.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. At June 30, 2018 and 2017, the College recognized the difference between the projected and actual investment earnings related to pensions, OPEB, and the gain on refunding of bonds totaling $12,135,259 and $3,503,611, respectively, as a deferred inflow of resources.

Pensions (MC)

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Montgomery College Retiree Benefits Plan (MCRBP) and additions to/deductions from MCRBP's fiduciary net position have been determined on the same basis as they are reported by MCRBP. For this purpose, MCRBP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Reclassifications (MC)

Certain reclassifications have been made to the prior year financial statement conform to the current year presentation. Such reclassifications had no impact on net position or change in net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Pronouncements (MC)

The following GASB pronouncements have been issued but not yet implemented by the College:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The standard establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. This statement is effective for fiscal periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is in effect for fiscal years beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a contraction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Statement is in effect for fiscal years beginning after December 15, 2019.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Pronouncements (MC) (Continued)

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100% equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The College has not yet completed the process of evaluating the impact of GASB Statements Nos. 84, 87, 89, and 90 on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to conform to the 2018 presentation. There was no impact on net position or change in net position as a result of these reclassifications.

NOTE 2 CASH AND INVESTMENTS (MC AND MCF)

Cash, Cash Equivalents, and Investments (MC)

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, establishes and modifies disclosure requirements related to investment and deposit risks:

- Credit Risk
- Custodial Credit Risk
- Concentrations of Credit Risk
- Interest Rate Risk
- Foreign Currency Risk

As of June 30, 2018 and 2017, the College's carrying amount of cash, cash equivalents, short-term investments, and investments consisted of the following:

	2018	2017
Cash	$ 7,339,403	$ 2,808,959
Cash Equivalent - MLGIP	29,500,472	23,928,240
Total Cash and Cash Equivalents	36,839,875	26,737,199
Short-Term Investments	33,782,033	36,846,927
Total Cash and Short-Term Investments	70,621,908	63,584,126
Long-Term Investments	-	1,006,501
Total	$ 70,621,908	$ 64,590,627

NOTE 2 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

Custodial Credit Risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with the securities held by the pledging bank; collateralized with securities held by the pledging bank's trust department or agent but not in the College's name.

The carrying amount for the College and PIC MC deposits was $7,304,116 and $2,778,776 as of June 30, 2018 and 2017, respectively. Petty cash and cashier's change funds of $6,500 and $6,500 as of June 30, 2018 and 2017, respectively, are excluded from these amounts. In addition, private loans of $28,787 and $23,683 as of June 30, 2018 and 2017, respectively, are excluded from these amounts. Actual bank statement balances totaled $12,535,076 and $4,662,844 at the end of fiscal years 2018 and 2017, respectively. Collateral was maintained during the year to secure all deposits and investments as specified under Section 6-202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland.

Article 95, Section 22 and Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland authorizes, and the College's adopted investment policy authorizes, the College to invest surplus cash in U.S. Treasury obligations, U.S. governmental agencies and instrumentalities securities, collateralized certificates of deposit, repurchase agreements, the Maryland Local Government Investment Pool (MLGIP), commercial paper, and bankers' acceptances. In the opinion of management, the College is in compliance with all provisions of the Annotated Code of Maryland and the College's investment policy.

During the year, the College invested in certificates of deposit and U. S. government agency and instrumentalities securities with no maturities extending past June 18, 2019. The College also invested in the MLGIP with collateral being held for the pool consisting of U.S. government and agency securities, bankers' acceptances, commercial paper, and corporate bonds. The MLGIP is managed by PNC Bank under contract with the State of Maryland. Collateral was held at the Bank of New York in the College's name. The collateral balance was maintained throughout the year in sums in excess of any single day bank balance. The longest length to maturity at time of purchase of any one investment was approximately eighteen months. These investments are reported in the College's Statement of Net Position at fair value, with the exception of the College's investment in the MLGIP. The College also invests funds in the MLGIP, an external investment pool, a "2a-7 like pool". All securities in the MLGIP are valued daily by MLGIP on an amortized cost basis. These assets are carried at an amortized cost basis in the College's Statement of Net Position.

NOTE 2 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

Refer to Note 18 for descriptions of the fair value hierarchy.

As of June 30, 2018 and 2017, the College had the following investments and maturities.

Investment Type	Fair Value Hierarchy	Total	Investment Maturities (in Months) Less than 6	7-12	13 - 18
2018					
U.S. Agency:					
FHLB Discount Note	2	$ 2,977,170	$ 2,977,170	$ -	$ -
Farmer Mac Coupon	2	3,971,840	-	3,971,840	-
Fed Farm Credit Bureau Coupon	2	2,967,120	-	2,967,120	-
US Treasury Notes	2	9,431,680	2,986,650	6,445,030	-
Negotiable Certificates of Deposit	n/a	11,248,066	1,017,629	5,139,013	5,091,424
Local Government Investment Pool	n/a	29,500,472	29,500,472	-	-
STIF and Money Market Funds	n/a	85,098	85,098	-	-
Equity Securities	1	1,447,987	1,447,987	-	-
Mutual Funds	1	1,653,072	1,653,072	-	-
Total		$ 63,282,505	$ 39,668,078	$ 18,523,003	$ 5,091,424

Investment Type	Fair Value Hierarchy	Total	Investment Maturities (in Months) Less than 6	7-12	13 - 18
2017					
U.S. Agency:					
FHLB Coupon	2	$ 4,497,660	$ -	$ 4,497,660	$ -
Farmer Mac Coupon	2	1,992,740	-	1,992,740	-
FHLMC Step Rate	2	7,975,958	-	7,975,958	-
FICO Strip	2	2,999,522	2,999,522	-	-
FNMA Coupon	2	2,997,721	2,997,721	-	-
Negotiable Certificates of Deposit	n/a	14,396,047	3,006,501	11,389,546	-
Local Government Investment Pool	n/a	23,928,240	23,928,240	-	-
STIF and Money Market Funds	n/a	1,500,622	1,500,622	-	-
Equity Securities	1	666,878	666,878	-	-
Mutual Funds	1	826,280	826,280	-	-
Total		$ 61,781,668	$ 35,925,764	$ 25,855,904	$ -

NOTE 2 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

As of June 30, the College's fixed income investments were rated as follows:

	2018			2017		
Investment Type	S&P	Moody's	Fitch	S&P	Moody's	Fitch
U.S. Agency:						
FHLB Coupon	-	-	-	AA+	Aaa	NR
FHLB Discount Notes	NR	NR	NR	-	-	-
Farmer Mac Coupon	NR	NR	NR	NR	NR	NR
Fed Farm Credit Bureau Coupon	AA+	Aaa	Aaa	-	-	-
FHLMC Step Rate	-	-	-	AA+	NR	NR
FICO Strip	-	-	-	AA+	Aaa	Aaa
FNMA Coupon	-	-	-	AA+	Aaa	Aaa
U.S. Treasury Notes	AA+	Aaa	Aaa	-	-	-
Certificates of Deposit	-	-	-	AA+	Aaa	NR
Certificates of Deposit	-	-	-	AA+	Aaa	NR
Certificates of Deposit	NR	NR	NR	NR	NR	NR
Certificates of Deposit	-	-	-	NR	NR	NR
Certificates of Deposit	-	-	-	NR	NR	NR
Certificates of Deposit	NR	NR	NR	-	-	-

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the College's investment policy limits the maturity length to one year with special approval required to purchase a security not to exceed two years.

Credit Risk. The College's investment policy does not allow investments in corporate bonds. The College's investment policy does allow investments in Money Market Treasury Funds. These funds must be operated in accordance with Rule 2a-7 and have the highest possible rating from at least one Nationally Recognized Statistical Rating Organization (NRSRO) as designated by the SEC. The MLGIP functions as a U.S. Treasury Money Market Fund and is under contract with the State of Maryland Treasurer's Office. The MLGIP was rated AAAm by Standard & Poor's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party, because the securities are not insured and are not registered in the College's name and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. During the years ended June 30, 2018 and 2017, the College did not invest in any repurchase agreements. The College's investment policy requires all collateral be held by an independent third-party with whom the College has a current custodial agreement in a segregated account with a clearly marked evidence of ownership and a safekeeping receipt supplied to the College.

NOTE 2 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

Concentrations of Credit Risk. GASB 40 requires the identification, by amount and issuer, of investments in any one issuer that represents 5% or more of total investments. The College's investment policy allows the following diversification by instrument at time of purchase:

U.S. Treasury Obligations	100%
U.S. Government Agency & Sponsored Instrumentalities	50%
Repurchase Agreements	50%
Collateralized Certificates of Deposits	25%
Bankers' Acceptances	50%
Maryland Local Government Investment Pool	50%
Money Market Funds	25%
Commercial Paper	5%

Security types noted above are further diversified by issuing institution:

Approved Security Dealers	25%
Maryland Local Government Investment Pool	50%
Bankers' Acceptances by Issuing Institution	10%
Commercial Banks	10%
Money Market Funds by Fund	25%
U.S. Government Agencies by Agency	20%
Commercial Paper	5%

The College did not have any concentrations to disclose as of June 30, 2018 and 2017.

Foreign Currency Risk. In accordance with Section IX of the College's Investment Program, Diversification in Authorized and Suitable Investments, the College is restricted to banks (financial institutions) chartered in the State of Maryland and bankers' acceptances of domestic banks. Repurchase agreements must be backed by obligations of the United States, its agencies or instrumentalities. The College, by Procedure 61003CP, Chapter VI 'Fiscal and Administrative Affairs', Subject 'Bank Services', Section VI is limited to 'banks located within the County' for depository services.

As of June 30, 2018, the College had federal agency securities held in the name of the College with Wilmington Trust, PNC, Sandy Spring Bank, and Revere Bank to collateralize deposits of the College.

Cash, Cash Equivalents and Investments (MCF)

The Foundation maintains its cash, cash equivalents, and investments in accounts which are insured by the FDIC up to specified limits and may, at times, exceed the federally insured limits. Cash in bank as of June 30, 2018 and 2017 was $5,332,684 and $4,885,357, respectively. The Foundation has not experienced any losses on such accounts and management does not believe that it is exposed to any significant credit risk.

NOTE 2 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Investments (MCF)

The investments of the Foundation are carried at fair value and summarized at June 30 as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 26,665,576	$ 29,512,113	$ 26,076,868	$ 27,878,269

NOTE 3 ACCOUNTS AND PLEDGES RECEIVABLE (MC AND MCF)

Accounts Receivable (MC)

Tuition and fees receivable are presented net of the related allowance for doubtful accounts on the Statement of Net Position. As of June 30, 2018, tuition and fees receivables are $22,919,816 with an allowance of $17,090,657, which nets to $5,829,159. As of June 30, 2017, tuition and fees receivables are $21,917,845 with an allowance of $16,712,687, which nets to $5,205,158.

Pledges Receivable (MCF)

Pledges receivable at June 30 include amounts due in:

	2018	2017
Less Than One Year	$ 874,770	$ 976,438
One to Five Years	850,731	1,319,117
More Than Five Years	1,683,721	1,683,720
Total	3,409,222	3,979,275
Pledges Deemed Uncollectible	(74,899)	(92,547)
Present Value Discount	(1,558,638)	(1,584,040)
Total	$ 1,775,685	$ 2,302,688

The discount rate used on long-term promises to give was 3% in both 2018 and 2017. Pledges deemed uncollectible are approximately 3% of discounted unconditional promises to give at June 30, 2018 and 2017, as determined by a review of individual current year.

The Foundation was named remainder interest beneficiary of two charitable remainder unitrusts where the Foundation is not the trustee and does not exercise control over the assets contributed to the trusts. The Foundation recorded the agreements as pledges receivable and contributions at the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments are made to the receivables on a yearly basis to reflect the accretion of the discounts and revaluation of the present value of the estimated future payments. As of June 30, 2018 and 2017, the amount included in the pledge receivable balance was $159,405 and $154,645, respectively.

NOTE 4 CHARITABLE REMAINDER TRUSTS (MCF)

The Foundation has been designated as remainder interest beneficiary under certain charitable gift-annuity agreements contracted with donors. The agreements call for specified distributions (annuity payments) to be paid to designated lead interest beneficiaries during their lives. The Foundation holds and invests the assets of the charitable gift annuity agreements and ensures that the specified distributions are made to the lead interest beneficiaries. The assets held and annuities payable are reflected on the Statements of Financial Position.

Upon commencement of such agreements, the Foundation records the fair value of the assets received and records the estimated present value of future payments to the lead interest beneficiaries as a liability for annuities payable from charitable gift annuity agreements. The liability is established by estimating future payments based on the beneficiary's life expectancy and discounting those payments to their present value. The excess of the assets received over the liability incurred is recognized on the Statements of Activities as contributions under charitable gift annuity agreements.

Assets held in split-interest agreements are adjusted to their fair value and the liability for annuities payable is adjusted to its current estimated present value on a recurring basis. Adjustments to the liability are reflected on the Statements of Activities as changes in the value of gift annuity agreements. When the estimated present value of the liability exceeds the value of the related assets, the deficit is a reduction of unrestricted net assets.

As of June 30, the assets, obligations and net assets related to charitable gift annuities were classified as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets Held for Charitable Gift Annuities	$ 20,263	$ -	$ 69,793	$ 90,056
Annuities Payable from Charitable Gifts	806,597	-	34,879	841,476
Net Assets / Liabilities	$ (786,334)	$ -	$ 34,914	$ (751,420)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets Held for Charitable Gift Annuities	$ 44,593	$ -	$ 69,387	$ 113,980
Annuities Payable from Charitable Gifts	833,260	-	36,383	869,643
Net Assets / Liabilities	$ (788,667)	$ -	$ 33,004	$ (755,663)

In order to offset the net liability, in fiscal year 2013, the Board directed unrestricted funds from both the general endowment earnings and a portion of the proceeds of the sale of the Maryland College of Art and Design property, to function as a reserve. As of June 30, 2018 and 2017, the combined balances in these two funds totaled $1,079,304 and $1,058,051, respectively, and are recorded within investments on the Statements of Financial Position.

NOTE 4 CHARITABLE REMAINDER TRUSTS (MCF) (Continued)

During the year ended June 30, 2018, no new split-interest agreement was created and one was extinguished. During the year ended June 30, 2017, one split-interest agreement was created and one was extinguished. The total number of split-interest agreements was 13 and 14 as of June 30, 2018 and 2017, respectively.

NOTE 5 CAPITAL ASSETS AND DEPRECIATION (MC)

Capital Assets, Net (MC)

The following tables represent the changes in the capital asset categories (including depreciation) for fiscal years 2018 and 2017, respectively.

	Balance at July 1, 2017	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2018
Nondepreciable Assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in Progress - Buildings	28,192,155	29,470,790	(458,900)	57,204,045
Construction in Progress - Equipment	126,772	177,392	(126,772)	177,392
Construction in Progress - PIC MC	226,919	-	-	226,919
Construction in Progress - Software	3,876,875	-	-	3,876,875
Art Works	279,059	-	-	279,059
Total Nondepreciable Assets	69,446,367	29,648,182	(585,672)	98,508,877
Depreciable Assets				
Buildings	565,133,973	3,207,767	(269,905)	568,071,835
Equipment	81,411,065	3,157,749	(42,735)	84,526,079
Library Books	6,241,455	460,903	(541,883)	6,160,475
Capital Lease - Building	104,215,000	-	-	104,215,000
Capital Lease - Copiers	859,154	300,209	-	1,159,363
Capital Lease - Software	3,995,573	785,000	-	4,780,573
Capital Software	3,007,444	-	-	3,007,444
Total Depreciable Assets	764,863,664	7,911,628	(854,523)	771,920,769
Less: Accumulated Depreciation				
Buildings	157,787,679	14,932,142	(198,430)	172,521,391
Equipment	64,582,433	5,073,382	(40,715)	69,615,100
Library Books	4,275,728	279,116	(387,860)	4,166,984
Capital Leases	16,594,635	2,875,952	-	19,470,587
Capital Software	3,563,353	1,012,234	-	4,575,587
Total Accumulated Depreciation	246,803,828	24,172,826	(627,005)	270,349,649
Depreciable Assets, Net	518,059,836	(16,261,198)	(227,518)	501,571,120
Capital Assets, Net	$ 587,506,203	$ 13,386,984	$ (813,190)	$ 600,079,997

NOTE 5 CAPITAL ASSETS AND DEPRECIATION (MC) (CONTINUED)

Capital Assets, Net (MC) (Continued)

	Balance at July 1, 2016	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2017
Nondepreciable Assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in Progress - Buildings	41,888,288	19,873,762	(33,569,895)	28,192,155
Construction in Progress - Equipment	68,942	357,648	(299,818)	126,772
Construction in Progress - PIC MC	186,545	40,374	-	226,919
Construction in Progress - Software	-	3,876,875	-	3,876,875
Art Works	279,059	-	-	279,059
Total Nondepreciable Assets	79,167,421	24,148,659	(33,869,713)	69,446,367
Depreciable Assets				
Buildings	521,500,514	43,803,652	(170,193)	565,133,973
Equipment	78,773,680	2,732,494	(95,109)	81,411,065
Library Books	6,364,228	492,703	(615,476)	6,241,455
Capital Lease - Building	65,695,000	38,520,000	-	104,215,000
Capital Lease - Copiers	594,637	264,517	-	859,154
Capital Lease - Software	3,795,000	200,573	-	3,995,573
Capital Software	3,007,444	-	-	3,007,444
Total Depreciable Assets	679,730,503	86,013,939	(880,778)	764,863,664
Less: Accumulated Depreciation				
Buildings	144,102,206	13,685,473	-	157,787,679
Equipment	57,805,674	6,871,868	(95,109)	64,582,433
Library Books	4,479,434	271,624	(475,330)	4,275,728
Capital Leases	14,489,635	2,105,000	-	16,594,635
Capital Software	2,260,341	1,303,012	-	3,563,353
Total Accumulated Depreciation	223,137,290	24,236,977	(570,439)	246,803,828
Depreciable Assets, Net	456,593,213	61,776,962	(310,339)	518,059,836
Capital Assets, Net	$ 535,760,634	$ 85,925,621	$ (34,180,052)	$ 587,506,203

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (MC)

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year as follows:

	2018	2017
Salaries and Wages	$ 9,149,585	$ 7,293,242
Benefits	1,334,000	1,169,000
Services and Supplies	13,512,090	11,855,609
Payroll Withholding	3,130,487	3,239,678
Unclaimed Checks	473,505	491,377
Other	10,830	154,107
Total	$ 27,610,497	$ 24,203,013

NOTE 7 LONG-TERM LIABILITIES (MC)

Long-term liability activity for the years ended June 30, 2018 and 2017 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
June 30, 2018					
Aetna Supplemental Retirement Funds	$ 22,532	$ -	$ (22,532)	$ -	$ -
Lease Obligations - 2011	13,210,000	-	(470,000)	12,740,000	485,000
Lease Obligations - 2014	19,345,000	-	(1,135,000)	18,210,000	1,180,000
Lease Obligations - 2015	13,495,000	-	(560,000)	12,935,000	580,000
Lease Obligations - 2017	13,660,000	-	(300,000)	13,360,000	310,000
Lease Obligations - 2017	24,860,000	-	(355,000)	24,505,000	360,000
Workday Subscription-5 year	3,036,000	-	(759,000)	2,277,000	759,000
Workday Subscription-4 year	200,572	-	(50,143)	150,429	50,144
Ad Astra Software Lease	-	785,000	-	785,000	-
Copier Leases	208,567	300,209	(82,689)	426,087	101,504
Compensated Absences	8,999,939	575,516	(605,965)	8,969,490	605,965
Total	$ 97,037,610	$ 1,660,725	$ (4,340,329)	$ 94,358,006	$ 4,431,613

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
June 30, 2017					
Aetna Supplemental Retirement Funds	$ 22,532	$ -	$ -	$ 22,532	$ -
Lease Obligations - 2011	13,670,000	-	(460,000)	13,210,000	470,000
Lease Obligations - 2014	20,440,000	-	(1,095,000)	19,345,000	1,135,000
Lease Obligations - 2015	14,045,000	-	(550,000)	13,495,000	560,000
Lease Obligations - 2017	-	13,660,000	-	13,660,000	300,000
Lease Obligations - 2017	-	24,860,000	-	24,860,000	355,000
Workday Subscription-5 year	3,795,000	-	(759,000)	3,036,000	759,000
Workday Subscription-4 year	-	200,572	-	200,572	50,144
Copier Leases	-	208,567	-	208,567	61,184
Compensated Absences	9,248,578	488,666	(737,305)	8,999,939	737,305
Total	$ 61,221,110	$ 39,417,805	$ (3,601,305)	$ 97,037,610	$ 4,427,633

NOTE 7 LONG-TERM LIABILITIES (MC) (CONTINUED)

Maturities and interest in lease obligations mirror the debt by the Foundation as disclosed in Note 8.

a) Lease Obligations – 2005 and 2014

The College has entered into a lease agreement, effective November 19, 2014 with the Foundation replacing the Series 2005 bonds. The Series 2005 bonds were called and refinanced with Series 2014 bonds at a par value of $22,570,000. The reissuance of bonds resulted in a $3,570,000 deferred inflow – bond-refinancing gain and will be amortized over the life of the lease. The new lease agreement will be treated as a capital lease with 16 years of payments from 2015 to 2030. The lease is a triple net lease, with the College responsible for all operating costs, as well as insurance, taxes, and costs of repairs and general maintenance of the Morris and Gwendolyn Cafritz Foundation Arts Center. The College is current on all required payments to the Foundation. For accounting purposes, the project lease is deemed a capital lease. The College paid the Foundation $1,946,339 and $1,950,206 during the years ended June 30, 2018 and 2017, respectively, as stipulated in the project lease.

The land on which the Morris and Gwendolyn Cafritz Foundation Arts Center was built is owned by the College. The Foundation has entered into a lease agreement with the College whereby the land is leased to the Foundation for 30 years for a fee of $5,000.

b) Lease Obligations – 2008 and 2015

The College has entered into a lease agreement, effective June 23, 2015 with the Foundation replacing the Series 2008 bonds. The Series 2008 bonds were called and refinanced with Series 2015 bonds with a par value of $14,665,000. The proceeds from the new bonds were used to pay off the Series 2008 bonds for the Takoma Park/Silver Spring Parking Garage and to fund the yet to be built Rockville Parking Garage. Rents are paid in semi-annual installment payments that are calculated to be at least equal to the scheduled debt service payments made by the Foundation on the notes with a total face value of $14,665,000 (payments are due May 1 and November 1). For accounting purposes, the project lease is deemed a capital lease. The title to the parking garage will transfer to the College upon completion of the lease. The College paid $1,115,875 and $1,086,275 to the Foundation during the years ended June 30, 2018 and 2017, respectively.

The land on which the parking garage is built is partially owned by the College. The Foundation has entered into a lease agreement with the College whereby the land that is owned by the College is leased to the Foundation for 80 years for a fee of $500.

c) Lease Obligations – 2011

On August 17, 2011, the Montgomery County Revenue authority (MCRA) sold its Lease Revenue bonds Series 2011A and 2011B on behalf of the Montgomery College Foundation Inc. The funds acquired for the Bonds were used to acquire the Goldenrod Building to be used in the Science and Technology Park. The Project is owned by the Foundation and leased to the College. Rents are paid in semi-annual installment payments that are calculated to be at least equal to the scheduled debt service payments made by the Foundation on the Bonds with a total face value of $15,870,000 (payments are due May 1 and November 1). The College paid $1,029,540 and $1,029,923 during the years ended June 30, 2018 and 2017, respectively.

NOTE 7 LONG-TERM LIABILITIES (MC) (CONTINUED)

d) Lease Obligations – 2017

On July 20, 2016, the Montgomery County Revenue authority (MCRA) sold its Lease Revenue Bonds Series 2016A and 2016B on behalf of the Montgomery College Foundation Inc. The funds acquired for the bonds were used to purchase the Central Services Building. The 115,000 square-foot, four-story building will provide modern and efficient space for 440 employees in Information Technology, Advancement and Community Engagement, Academic Affairs, Student Affairs and other administrative functions. The building is owned by the Foundation and leased to the College. Rents are paid in semi-annual installment payments that are calculated to be at least equal to the scheduled debt service payments made by Montgomery County on the Bonds with a total face value of $24,860,000 (payments are due 30 days before May 1 and November 1 and are paid directly to Montgomery County). The College paid $1,067,471 and $357,044 during the years ended June 30, 2018 and 2017, respectively.

e) Lease Obligations – 2017

A portion of the lease agreement with the Foundation dated June 23, 2015 was to fund the building of the Rockville Parking Garage, which was completed and effective during FY17. Rents are paid in semi-annual installment payments that are calculated to be at least equal to the scheduled debt service payments made by the Foundation on the notes with a total face value of $13,660,000 (payments are due May 1 and November 1). For accounting purposes, the project lease is deemed a capital lease. The title to the parking garage will transfer to the College upon completion of the lease. The College paid $822,351 and $280,188 to the Foundation during the years ended June 30, 2018 and 2017, respectively.

Future payments to be paid by the College under the 2011, 2014, 2015, and 2017 lease obligations are as follows:

	2011	2014	2015	2017	Total
2019	$ 1,030,472	$ 1,946,006	$ 1,085,275	$ 1,925,464	$ 5,987,217
2020	1,031,073	1,943,806	1,079,675	2,266,579	6,321,133
2021	1,030,872	1,949,806	1,085,275	2,275,206	6,341,159
2022	1,029,873	1,943,606	1,081,525	2,264,624	6,319,628
2023	1,028,073	1,947,357	1,083,150	2,712,479	6,771,059
2024-2028	5,151,595	9,729,531	5,413,309	13,574,457	33,868,892
2029-2033	5,155,362	3,892,863	5,416,291	13,565,479	28,029,995
2034-2038	3,092,013	-	1,079,875	9,856,722	14,028,610
2039-2043	-	-	-	4,280,400	4,280,400
Total	18,549,333	23,352,975	17,324,375	52,721,410	111,948,093
Imputed Interest	(5,809,333)	(5,142,975)	(4,389,375)	(14,856,410)	(30,198,093)
Total	$ 12,740,000	$ 18,210,000	$ 12,935,000	$ 37,865,000	$ 81,750,000

NOTE 7 LONG-TERM LIABILITIES (MC) (CONTINUED)

f) Copier Leases

The College has entered into several 5-year copier leases. As of June 30, 2018 future payments for the contract agreements and purchase agreements are as follows:

Year Ending June 30,	Amount
2019	$ 101,504
2020	104,116
2021	107,067
2022	70,872
2023	42,528
Total	$ 426,087

h) Software Leases

The College has entered into three software subscription agreements. As of June 30, 2018 future payments for the contract agreements are as follows:

Year Ending June 30,	Workday Subscription	Workday Subscription	Ad Astra Software Lease	Total
2019	$ 759,000	$ 50,144	$ 185,000	$ 994,144
2020	759,000	50,143	150,000	959,143
2021	759,000	50,142	150,000	959,142
2022	-	-	150,000	150,000
2023	-	-	150,000	150,000
Total	$ 2,277,000	$ 150,429	$ 785,000	$ 3,212,429

h) Compensated Absences

Employees of the College earned $8,283,324 and $8,342,701 in annual and sick leave subject to termination pay-off at June 30, 2018 and 2017, respectively. In accordance with GASB No. 16, entitled *Accounting for Compensated Absences*, related FICA and Medicare costs have been calculated on the amount due at termination in the amount of $686,166 and $657,238 for fiscal years 2018 and 2017, respectively. This amount has been included in the total compensated absences liability of $8,969,490 and $8,999,939 for fiscal years 2018 and 2017, respectively.

For the years ended June 30, 2018 and 2017, the total annual leave and sick leave earned was recognized as an expense.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF)

a) Notes Payable – 2011

In August 2011, the Authority issued "Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Project) Series 2011A and Series 2011B bonds (the 2011 Bonds) with a total face value of $15,870,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all obligations of the 2011 Bonds issue to the Foundation. The proceeds of the 2011 Bonds were used 1) for the purchase of the Goldenrod Building (a 68,826 gross square foot office building located on 4.62 acres located adjacent to the Germantown Campus of the College), 2) to pay real estate closing costs associated with the building purchase, and 3) to pay issuance costs of the 2011 Bonds. The 2011 Bonds have annual maturity dates from May 1, 2012 to May 1, 2036 and were issued at a premium of $257,814.

The College entered into a lease agreement with the Foundation, beginning on September 1, 2011, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2011 Bonds. This lease agreement was pledged as security for the 2011 Bonds.

The Series 2011A Bonds are subject to optional redemption in whole or in part on any date commencing May 1, 2021, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2011B Bonds maturing on or after May 1, 2022 are subject to optional redemption in whole or in part on any date commencing May 1, 2021, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2011B Bonds maturing by their terms prior to May 1, 2022 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2018 and 2017 was $557,223 and $568,197, respectively.

b) Notes Payable – 2014

In November 2014, the Authority issued "Montgomery County Revenue Authority Lease Revenue Refunding Bonds (Montgomery College Arts Center Project) Series 2014", with a total face value of $22,570,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all rights and obligations of the bond issue to the Foundation. The proceeds of the 2014 Bonds were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Arts Center Project), Series 2005A; and 2) pay issuance costs of the 2014 Bonds.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

The 2014 Bonds have annual maturity dates from May 1, 2015 to May 1, 2030 and were issued at a premium of $2,195,089.

The College entered into a lease agreement with the Foundation in October 2005, amended November 2014, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2014 Bonds. This lease agreement was pledged as security for the 2014 Bonds.

The Series 2014 Bonds maturing on or after May 1, 2025 are subject to optional redemption in whole or in part at the option of the Foundation in accordance with the Loan Agreement, on any date commencing May 1, 2024, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

The 2014 Bonds maturing by their terms prior to May 1, 2025 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2018 and 2017 was $803,840 and $847,906, respectively.

c) Notes Payable – 2015

In June 2015, the Authority issued “Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2015A”, with a total face value of $28,325,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all rights and obligations of the bond issue to the Foundation. The proceeds of the 2015 Bonds were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2008A; 2) finance the cost of the acquisition, construction and equipping of a parking garage on the Rockville Campus; 3) pay a portion of the interest on the 2015 Bonds estimated to accrue until November 1, 2016, and 4) pay the cost of issuing the 2015 bonds. The 2015 bonds have annual maturity dates from November 1, 2015 to November 1, 2042 and were issued at a premium of $1,341,104.

The College entered into a lease agreement with the Foundation in November 2008, amended June 2015, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2015 Bonds. This lease agreement was pledged as security for the 2015 Bonds.

The Series 2015 Bonds maturing on or after November 1, 2026 are subject to optional redemption in whole or in part at the option of the Foundation in accordance with the Loan Agreement, on any date commencing November 1, 2025, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

The 2015 Bonds maturing by their terms prior to November 1, 2026 are not subject to optional redemption.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2018 and 2017 was $1,073,950 and $908,026, respectively.

d) Certificates of Participation

In July of 2016, Montgomery County Maryland issued Certificates of Participation (COPs) Series 2016A with a total face value of $23,050,000, and Series 2016B with a total face value of $1,810,000. The proceeds of the Series 2016A Certificates were loaned by the County to the Foundation to purchase and renovate a building to house College central and administrative services offices. The COPs were used 1) to finance the costs of the acquisition, design, construction and equipping of an approximate 115,000 square foot building with approximately 365 and 400 parking spaces, 2) to pay real estate closing costs associated with the building purchase, 3) to fund a Capitalized Interest Fund, and 4) to pay a portion of the issuance costs of the 2016 COPs. The 2016A COPs have annual maturity dates from November 1, 2019 to November 1, 2035 and were issued at a net premium of $1,328,788.

The Foundation leased its interest in the improvements and the site upon which the improvements are located to the College pursuant to a lease agreement dated as of July 1, 2016, between the Foundation and the College (the Lease). The Lease requires the College to make rental payments (the Rental Payments), which are assigned by the Foundation to the County pursuant to an Assignment of Rents and Leases Agreement dated as of July 1, 2016 between the County and the Foundation (the Assignment of Leases). The County is also secured by a deed of trust from the Foundation for the benefit of the County to secure the obligations of the Foundation under the Loan Agreement delivered at the time of closing of the Certificates (the Deed of Trust).

The Series 2016A Certificates that mature on or after November 1, 2025, are subject to redemption beginning November 1, 2024, as a whole or in part at any time thereafter, in any order of their maturities, at the option of the County, at a redemption price for each certificate equal to the principal amount of the certificate to be redeemed, together with interest accrued to the date fixed for redemption, without premium. The Series 2016A Certificates that mature on or before November 1, 2024, are not subject to redemption prior to their respective maturities.

The proceeds of the Series 2016B Certificates were loaned by the County to the Foundation and will be applied to pay the costs incurred by the College in connection with its terminating certain lease agreements for space that it currently occupies that will be replaced with the facilities that comprise the improvements. A portion of the Series 2016B Certificates were also applied to pay the costs of issuing the Series 2016B Certificates. The 2016B COPs have annual maturity dates from November 1, 2017 to November 1, 2021 and were issued at a net premium of $888.

The Series 2016B Certificates are not subject to optional redemption prior to their respective maturities.

NOTE 8 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2018 and 2017 was $701,880 and $476,059, respectively.

Maturity dates and stated interest rates of the Bonds outstanding as of June 30, 2018 are as follows:

	2011 Bonds			2014 Bonds		2015 Bonds		2016 Certificates		
Fiscal Year Ended	Principal Amount Series A	Principal Amount Series B	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Total Principal Amount
2019	$ -	$ 485,000	4.00 %	$ 1,180,000	4.00 %	$ 890,000	3.00 %	$ 360,000	5.00 %	$ 2,915,000
2020	-	505,000	4.00	1,225,000	4.00	915,000	4.00	715,000	5.00	3,360,000
2021	-	525,000	4.00	1,280,000	4.00	960,000	4.00	745,000	5.00	3,510,000
2022	-	545,000	4.00	1,325,000	5.00	1,000,000	5.00	760,000	5.00	3,630,000
2023	-	565,000	4.15	1,395,000	5.00	1,050,000	5.00	1,255,000	5.00	4,265,000
Thereafter	6,840,000	3,275,000	Varies from 4% to 5%	11,805,000	Varies from 3% to 5%	21,480,000	Varies from 3.125% to 5%	20,670,000	Varies from 2% to 5%	64,070,000
Total	$ 6,840,000	$ 5,900,000		$ 18,210,000		$ 26,295,000		$ 24,505,000		81,750,000
									Unamortized discount	(567,658)
									Deferred Financing Costs	(698,173)
									Unspent bond proceeds	509,303
									Unamortized Premiums	4,289,706
									Notes Payable, Net	$ 85,283,178

NOTE 9 UNEARNED REVENUE (MC)

In 2012, the PIC MC received land lease rental income in the amount of $6.3 million for the Montgomery College – Germantown Campus, located at 20200 Observation Drive, Germantown, Maryland 20816. The revenue will be amortized over the life of the land lease. The initial payment was included in unearned revenue in the Statements of Net Position and the balance as of June 30, 2018 and 2017 is $5,812,040 and $5,875,502, respectively.

NOTE 10 EXPENSES BY NATURAL CLASSIFICATIONS (MC)

The following table shows a classification of expenses for the years ending June 30, 2018 and 2017; both by function as listed in the Statements of Revenue, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statements of Cash Flows.

	Salaries and Wages	Fringe Benefits	Contracted Services	Supplies	Scholarships	Utilities	Depreciation	Other	Total
June 30, 2018									
Instruction	$ 82,505,386	$ 11,791,430	$ 5,266,658	$ 2,258,943	$ -	$ -	$ -	$ 321,716	$ 102,144,133
Research	185,391	4,032	-	-	-	-	-	733	190,156
Academic Support	35,080,668	6,100,673	4,251,089	4,044,412	-	-	-	393,529	49,870,371
Student Services	27,404,850	4,480,553	1,946,194	569,943	-	-	-	584,178	34,985,718
Operation of Plant	21,118,687	4,380,232	5,487,349	2,108,858	-	7,541,646	-	466,321	41,103,093
Institutional Support	26,675,296	9,121,332	8,984,496	577,004	-	-	-	6,511,128	51,869,256
Scholarships and Related Expenses	-	-	-	-	6,264,126	-	-	-	6,264,126
Depreciation	-	-	-	-	-	-	24,172,826	-	24,172,826
Auxiliary Enterprises	670,960	120,732	2,197,369	70,789	-	-	-	216,359	3,276,209
State Paid Benefits	-	16,157,775	-	-	-	-	-	-	16,157,775
Other	2,948,976	867,217	7,117,520	4,084,066	-	-	-	-	15,017,779
Total	$ 196,590,214	$ 53,023,976	$ 35,250,675	$ 13,714,015	$ 6,264,126	$ 7,541,646	$ 24,172,826	$ 8,493,964	$ 345,051,442
June 30, 2017									
Instruction	$ 82,347,913	$ 11,934,909	$ 5,763,447	$ 2,855,935	$ -	$ -	$ -	$ 354,524	$ 103,256,728
Research	177,643	1,863	-	88	-	-	-	97,981	277,575
Academic Support	35,165,471	6,314,731	4,777,186	3,005,143	-	-	-	622,374	49,884,905
Student Services	26,494,188	4,442,815	1,741,308	1,174,370	-	-	-	705,786	34,558,467
Operation of Plant	19,745,063	5,661,011	6,219,574	1,837,796	-	7,572,568	-	358,537	41,394,549
Institutional Support	24,246,073	8,580,661	8,980,916	1,837,770	-	-	-	5,166,791	48,812,211
Scholarships and Related Expenses	-	-	-	-	5,031,438	-	-	-	5,031,438
Depreciation	-	-	-	-	-	-	24,236,977	-	24,236,977
Auxiliary Enterprises	736,660	161,632	2,150,188	55,801	-	-	-	558,355	3,662,636
State Paid Benefits	-	16,497,975	-	-	-	-	-	-	16,497,975
Other	2,913,790	819,575	6,342,930	5,567,510	-	-	-	-	15,643,805
Total	$ 191,826,801	$ 54,415,172	$ 35,975,549	$ 16,334,413	$ 5,031,438	$ 7,572,568	$ 24,236,977	$ 7,864,348	$ 343,257,266

NOTE 11 RETIREMENT PLANS (MC)

The College participates in both statewide retirement plans and the College’s own plan. The four statewide retirement plans are the Teachers’ Retirement System and the Employees’ Retirement System (the Retirement System), the Teachers’ Pension System and the Employees’ Pension System (the Pension System), administered by the Maryland State Retirement System (MSRS), a cost-sharing multiple-employer retirement system, and the Maryland State Optional Retirement Plan (ORP). Aetna, the College’s own plan, serves as a supplement to the MSRS plans. Certain employees may elect to participate in the ORP instead of the Pension System. The State has approved four providers for the ORP which include the Teachers’ Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), AIG, VALIC, and Fidelity. An employee can participate in only one plan at a time and has the opportunity to change providers during one open enrollment period a year.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

The College's total current payroll for the fiscal years ended June 30, 2018 and 2017 for all employees (excluding $275,285 and $235,106 from agency funds for the years ended June 30, 2018 and 2017, respectively) was $196,590,214 and $191,826,801, respectively. The approximate current covered payroll under each of the plans, which includes employees eligible under multiple plans, is as follows:

	2018		2017	
	Covered Payroll	Percent of Total Covered Payroll	Covered Payroll	Percent of Total Covered Payroll
MSRS	$ 86,055,915	55.77%	$ 84,175,914	55.19%
Optional Retirement Plan	68,014,547	44.08%	68,002,033	44.59%
Aetna	235,421	0.15%	343,996	0.22%
Total	$ 154,305,883	100.00%	$ 152,521,943	100.00%

a) Statewide Retirement Plans

The State systems were established in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Responsibility for the administration and operation of the systems is vested in a 15-member Board of Trustees (the Trustees). The Trustees also have the authority to establish and amend the respective benefit provisions. The systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to system members and beneficiaries.

The following is a general description of the plan benefits available to the participants of each of the above named plans.

The Retirement System – MSRS

Participants in the Retirement System may retire with full benefits after attaining the age of 60, or completion of 30 years of creditable service regardless of age. However, participants may retire with reduced benefits after completing 25 years of creditable service regardless of age.

The Pension System – MSRS

Participants in the Pension System hired prior to July 1, 2011 may retire with full benefits (a) after completing 30 years of creditable service regardless of age, or (b) at age 62 or older with specified years of eligibility service. Participants may retire early with reduced benefits after attaining age 55 and completing 15 years of eligibility service. Employees hired on or after July 1, 2011 may retire with full benefits after (a) completing 10 years of eligibility service at age 65 or (b) using the "Rule of 90" defined as at least 90 years of combined age and years of eligibility service. These participants may retire early with reduced benefits after attaining age 60 and at least 15 years of service.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The MSRS Optional Retirement Plan (ORP)

The ORP is a defined contribution "money purchase" plan under which the benefit is determined by the accumulated State contributions plus accrued investment earnings. Contributions are made to one of four providers approved by the State. Participants may receive their annuity income at any time after leaving the College.

Benefits under all systems, except the ORP which vests immediately, vest after five years of service and are based on years of creditable service and salary rates. Employees hired after July 1, 2011 have a 10 year vesting requirement.

The "unfunded actuarial accrued liability" is the result of applying the actuarial funding method to the present value of pension benefits, adjusted to the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The actuarial funding method is intended to help users assess the Systems' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The MSRS does not make separate measurements of assets and liabilities for individual employers.

Plan Description – The employees of the College 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, employees of the College are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at http://www.sra.state.md.us.

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

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

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

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

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

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

The State makes a substantial portion of the College's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the College. The State's contributions on behalf of the College for the years ended June 30, 2018 and 2017 was \$11,288,405 and \$11,614,911, respectively. The fiscal 2018 and 2017 contributions made by the State on behalf of the College have been included as both revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Contribution (continued) – The College's contractually required contribution rate for the Employees' Retirement and Pension Systems for the years ended June 30, 2018 and 2017 was 6.72% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The College made its share of the required contributions during the years ended June 30, 2018 and 2017 of $1,512,925 and $1,365,928, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Employees Retirement and Pension Systems

At June 30, 2018 and 2017, the College reported a liability of $14,511,796 and $16,654,033, respectively, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the years ending June 30, 2017 and 2016, respectively. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2017 and 2016, the College's proportionate share was 0.06711% and 0.0759%, respectively.

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $932,403 and $2,488,761, respectively. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 1,016,548
Changes of Assumptions	521,446	-
Change in Proporation	1,187,692	655,952
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,149,949	-
Net Difference Between Actual and Proportionate Share of Contributions	183,278	674
College Contributions Subsequent to the Measurement Date	1,512,925	-
Total	$ 5,555,290	$ 1,673,174

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Employees Retirement and Pension Systems (Continued)

	2017	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 409,611
Changes of Assumptions	630,128	-
Change in Proporation	1,560,952	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,007,020	-
Net Difference Between Actual and Proportionate Share of Contributions	289,411	-
College Contributions Subsequent to the Measurement Date	1,365,928	-
Total	$ 5,853,439	$ 409,611

$1,512,925 and $1,365,928 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the years ended June 30, 2018 and 2017, respectively. 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,	Amount
2019	$ 876,500
2020	1,052,844
2021	697,612
2022	(47,915)
2023	(209,850)
Thereafter	-

Teachers Retirement and Pension Systems

At June 30, 2018 and 2017, the College 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 College and the College pays the normal cost related to the Colleges members in the Teachers Retirement and Pension Systems; therefore, the College is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amounts recognized by the College 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 College were as follows:

	2018	2017
State's Proportionate Share of the Net Pension Liability	$ 123,398,174	$ 121,506,969
College's Proportionate Share of the Net Pension Liability	-	-
Total	$ 123,398,174	$ 121,506,969

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $11,288,405 and $11,614,911 and revenue of $11,288,405 and $11,614,911, respectively, for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the College did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial assumptions. The total pension liability in the following actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017	June 30, 2016
Inflation - General	2.65%	2.70%
Inflation - Wage	3.15%	3.20%
Salary Increases	3.15% to 9.15%, including inflation	3.3% to 9.2%, including inflation
Investment Rate of Return	7.50%	7.55%
Mortality Rates	RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale	RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale

The economic and demographic actuarial assumptions used in the June 30, 2017 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010 – 2014, after completion of the June 30, 2014 valuations. Assumptions from the experience study included investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase were adopted by the College for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.50% and an inflation assumption of 2.65% were used for the June 30, 2017 valuation.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The economic and demographic actuarial assumptions used in the June 30, 2016 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010 – 2014, after completion of the June 30, 2014 valuations. Assumptions from the experience study included investment return inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the College for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.70% were used for the June 30, 2016 valuation.

New funding methodology set forth in Maryland legislation was first used in the June 30, 2015 valuation. The legislation removed the corridor funding method effective with the June 30, 2015 valuation. The benefit provisions valued in the actuarial valuation as of June 30, 2017, are the same as the provisions from the last valuation as of June 30, 2016.

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 consultant(s) and actuary(s).

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

	2018		2017	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	36 %	5.30 %	37 %	6.60 %
Fixed Income	-	-	-	-
Credit Opportunity	9	3.60	9	4.20
Real Return	15	5.70	15	4.70
Absolute Return	8	3.10	9	3.70
Rate Sensitive	21	1.20	20	1.30
Private Equity	11	7.00	10	7.40
Real Estate	-	-	-	-
Cash	-	-	-	-
Total	100.00 %		100.00 %	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2018 and 2017.

For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 10.02% and 1.10%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – The single discount rate used to measure the total pension liability was 7.50% as of June 30, 2017 and 7.55% as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 7.50% as of June 30, 2017 and 7.55% as of June 30, 2016. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the College's net pension liability, calculated using a single discount rate of 7.50% as of June 30, 2017 and 7.55% as of June 30, 2016, as well as what the College's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Measurement Date June 30:

	1% Decrease	Current Discount Rate	1% Increase
2017			
College's Proportionate Share of the Net Pension Liability	$ 20,566,088	$ 14,511,796	$ 9,488,445
2016			
College's Proportionate Share of the Net Pension Liability	$ 22,875,759	$ 16,654,033	$ 11,476,625

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

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

b) The College's Defined Benefit Pension Plan (Aetna)

The College has a single-employer, defined benefit pension plan with Aetna. The plan provides for benefits to be paid to eligible employees at retirement, in conjunction with the other College retirement and pension plans. Full-time employees, who have been employed by the College prior to 1980 and contribute to an MSRS plan, are eligible to participate in this plan established under the authority of the College's Board of Trustees.

Plan Description – The Aetna plan is a single employer, defined benefit pension plan. Full-time employees who were employed by the College prior to 1980 and contribute to an MSRS plan are eligible to participate in this plan established under the authority of the College's Board of Trustees. The plan provides for benefits to be paid to eligible employees at retirement, in conjunction with the other College retirement plans. The Aetna Retirement Plan issues a separate actuarial report that contains the results of the valuation of the College Retirement Plan as of July 1, 2017. That report may be obtained by writing to the Montgomery College Benefits Office, 9221 Corporate Blvd, Rockville, Maryland 20850.

Funding Policy – Plan members are required to contribute 7% of their earnable compensation. Contributions to this plan are offset by contributions to the Maryland Teachers' Retirement System or the Maryland State Retirement System. Contributions for year 2013 are based on the plan as amended most recently as of January 1, 1980. Interest on employee contributions is credited at a rate of 6% per year.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Actuarial Cost Method and Valuation of Assets – The Entry Age Normal Actuarial Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability in accordance with generally accepted actuarial principles. Plan assets are listed at fair value as determined by the Aetna Insurance Company. The Actuarial Accrued Liability is based on a prorated portion of the present value of benefits earned to date and expected to be earned in the future.

Benefits under this system vest after five years of service and are based on years of creditable service and salary rates.

Employees Covered by Benefit Terms

At June 30, 2018 and 2017, the following employees were covered by the benefit terms:

	2018	2017
Inactive Employees or Beneficiaries Currently Receiving Benefits	244	251
Inactive Employees Entitled to but not yet Receiving Benefits	10	10
Active Employees	3	5
Total	257	266

Net Pension Liability

The College's net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Actuarial assumptions. The total pension liability in the June 30, 2017 and 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018	June 30, 2017
Inflation	2.50 %	2.50 %
Salary Increases	3.00 %	5.50 %
Investment Rate of Return	4.00 %	4.00 %

Mortality rates were based on the RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	
Asset Class	June 30, 2018	June 30, 2017
Corporate Industrial	50.00 %	49.00 %
Corporate Foreign	6.00	6.00
Corporate Utilities	9.00	12.00
Commercial Mortgage Backed	4.00	6.00
Government	4.00	5.00
Asset Backed	-	-
Agency Mortgage Backed	4.00	3.00
Corporate Financial	23.00	19.00
Total	100.00 %	100.00 %

Discount rate. The discount rate used to measure the total pension liability was 4.00% and 4.00% at June 30, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that College contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The average return on assets for the years ended June 30, 2018 and 2017 have been 5.54% and 4.51%, respectively.

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	(Increases) Decreases Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance - June 30, 2017	$ 13,531,881	$ (14,537,365)	$ (1,005,484)
Changes for the Year:			
Service Cost	13,495	-	13,495
Interest Cost	522,824	-	522,824
Assumption Changes	(736,191)	-	(736,191)
Difference Between Expected and Actual Experience-Liability	(593,650)	-	(593,650)
Difference Between Expected and Actual Experience-Asset Side	-	385,936	385,936
Contributions - Employer	-	(800,000)	(800,000)
Net Investment Income	-	(576,324)	(576,324)
Benefit Payments, Including Refunds of Employee Contributions	(949,558)	949,558	-
Other Changes	-	108,975	108,975
Net Changes	(1,743,080)	68,145	(1,674,935)
Balance - June 30, 2018	$ 11,788,801	$ (14,469,220)	$ (2,680,419)

	Total Pension Liability	(Increases) Decreases Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance - June 30, 2016	$ 14,062,830	$ (13,808,811)	$ 254,019
Changes for the Year:			
Service Cost	25,102	-	25,102
Interest Cost	544,918	-	544,918
Difference Between Expected and Actual Experience-Liability	(171,033)	-	(171,033)
Difference Between Expected and Actual Experience-Asset Side	-	(213,447)	(213,447)
Contributions - Employer	-	(1,000,000)	(1,000,000)
Net Investment Income	-	(551,622)	(551,622)
Benefit Payments, Including Refunds of Employee Contributions	(929,936)	929,936	-
Other Changes	-	106,579	106,579
Net Changes	(530,949)	(728,554)	(1,259,503)
Balance - June 30, 2017	$ 13,531,881	$ (14,537,365)	$ (1,005,484)

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the College, calculated using the discount rate as well as what the College's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2018	3 %	4 %	5 %
Total Pension Liability	$ 12,905,050	$ 11,788,801	$ 10,830,776
Plan Fiduciary Net Position	(14,469,220)	(14,469,220)	(14,469,220)
Net Pension (Asset) Liability	$ (1,564,170)	$ (2,680,419)	$ (3,638,444)
June 30, 2017	3 %	4 %	5 %
Total Pension Liability	$ 14,914,724	$ 13,531,881	$ 12,353,451
Plan Fiduciary Net Position	(14,537,365)	(14,537,365)	(14,537,365)
Net Pension (Asset) Liability	$ 377,359	$ (1,005,484)	$ (2,183,914)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2018 and 2017, the College recognized pension expense (benefit) of ($1,140,131) and ($2,503), respectively. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 396,094	$ -
College Contributions Subsequent to the Measurement Date	700,000	-
Total	$ 1,096,094	$ -

	2017	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 130,900	$ -
College Contributions Subsequent to the Measurement Date	800,000	-
Total	$ 930,900	$ -

NOTE 11 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

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,	Amount
2019	$ 120,739
2020	163,670
2021	34,498
2022	77,187
2023	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2018 and 2017, the College reported a payable of $-0- and $22,532, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2018 and 2017.

c) Optional Defined Contribution Plan

Professional employees otherwise eligible to join the State of Maryland Plan may choose instead to join the Optional Retirement Plan administered by the State of Maryland. This plan is a noncontributory defined contribution plan. The plan provides for retirement and death benefits. The plan was established by and can be amended by the State Legislature. The State of Maryland contributes 7.25% of eligible salaries on behalf of the College. For the years ended June 30, 2018 and 2017, the contributions made by the State of Maryland were $4,869,370 and $4,883,064, respectively, which has been included as both revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC)

General Information about the OPEB Plan

Plan description. The College provides postemployment health care, dental and life insurance benefits for retired employees through a defined benefit plan. The plan is accounted for as a trust fund and an irrevocable trust was established on June 16, 2008 to account for the plan. In October, 2013, the Board of Trustees resolved to combine the Montgomery College OPEB Trust Fund with the Montgomery County OPEB Trust Fund (CRHBT). Total assets in excess of $30 million were transferred over to the County trust fund over a period of months, with the last transfer occurring early in 2014. Separate financial statements for the OPEB Trust Fund are not available.

The Board of CRHBT Trustees has the exclusive authority to manage the assets of the CRHBT. The Board of Trustees consists of 19 trustees and functions as part of the County. Separate financial statements are not issued for the CRHBT but are part of the financial statements of Montgomery County, Maryland.

Eligibility and Membership. In order to be considered "eligible", the retiree must have been enrolled in the College’s or another employer’s group insurance program for five years prior to retirement and commence receipt of pension/annuity benefits from an MSRS or ORP plan immediately upon termination from the College. ORP annuitants must meet the same age and service retirement eligibility criteria as MSRS participants.

Benefits provided. MCRBP provides healthcare, dental and life insurance benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms. At June 30, the following employees were covered by the benefit terms:

	2018	2017
Plan Members or Beneficiaries Currently Receiving Benefit Payments	498	551
Inactive Plan Members Entitled to but not yet Receiving Benefit Payments	-	-
Active Plan Members	1,931	2,419
Total	2,429	2,970

Contributions. The College’s authority to contribute to other post-employment benefit provisions and obligations is established and may be amended by the Board of Trustees. The College currently pays 40% of health care premiums for employees who meet certain eligibility criteria and who retire with 5 but less than 10 years of service, 60% of premiums for those that retire after 10 years of service, and 20% for certain retirees prior to 1978. The College contributes 80% of the cost of retiree life insurance. The remaining costs of these benefits are borne by the participants. For the fiscal years ended June 30, 2018 and 2017, the College contributed $3,920,867 and $4,918,600, respectively, and the retirees contributed $2,338,052 and $2,279,689, respectively, in premiums.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Net OPEB Liability (under GASB #75)

The College's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

Actuarial assumptions. The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	5.50%
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	Pre-65: 6.50% in 2017 with an ultimate rate of 4.76% in 2062 Post-65: 6.00% in 2017 with an ultimate rate of 4.71% in 2062

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2016.

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

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Net OPEB Liability (under GASB #75)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	19.00 %	4.75 %
Internation Equities	15.00	4.75
Emerging Market Equities	3.80	4.75
Global Equities	4.20	4.75
Private Equity	8.00	6.60
Credit Opportunities	2.00	5.05
Long Duration Fixed Income	13.50	2.05
High Yield Bonds	10.00	3.15
Global Ils	12.00	4.00
Private Real Assets	5.00	6.36
Public Real Assets	6.50	4.25
Cash	1.00	(0.30)
Total	100.00 %	

Discount rate. The discount rate used to measure the total OPEB liability was 6.51%. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2063. Therefore, the long-term expected rate of return on Plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Changes in the Net OPEB Liability (under GASB #75)

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance - June 30, 2017	$ 111,010,782	$ 42,612,881	$ 68,397,901
Changes for the Year:			
Service Cost	4,744,380	-	4,744,380
Interest	6,966,124	-	6,966,124
Differences Between Expected and Actual Experience	-	-	-
Assumption Changes	(6,886,378)	-	(6,886,378)
Contributions—Employer	-	3,920,867	(3,920,867)
Contributions—Employee	-	-	-
Net Investment Income	-	5,158,139	(5,158,139)
Benefit Payments	(2,396,867)	(2,396,867)	-
Administrative Expense	-	(226,832)	226,832
Net Changes	2,427,259	6,455,307	(4,028,048)
Balance - June 30, 2018	$ 113,438,041	$ 49,068,188	$ 64,369,853

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.51%) or 1-percentage-point higher (7.51%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2018	5.51 %	6.51 %	7.51 %
Total OPEB Liability	$ 130,452,502	$ 113,438,041	$ 99,558,925
Plan Fiduciary Net Position	49,068,188	49,068,188	49,068,188
Net OPEB Liability	$ 81,384,314	$ 64,369,853	$ 50,490,737

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Changes in the Net OPEB Liability (under GASB #75)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 3.76%) or 1-percentage-point higher (7.5% decreasing to 5.76%) than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
June 30, 2018			
Total OPEB Liability	$ 98,006,674	$ 113,438,041	$ 133,109,963
Plan Fiduciary Net Position	49,068,188	49,068,188	49,068,188
Net OPEB Liability	$ 48,938,486	$ 64,369,853	$ 84,041,775

The College's OPEB plan is administered by the County's Consolidated Retiree Health Benefits Trust. The condensed financial statements for the OPEB plan trust may be obtained by writing to the Montgomery County Finance Office, 101 Monroe Street #15, Rockville, Maryland 20850.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (under GASB #75)

For the year ended June 30, 2018, the College recognized OPEB expense of $7,498,904. At June 30, 2018, the College 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
Differences Between Expected and Actual Experience	$ -	$ -
Changes of Assumptions	-	6,075,262
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	1,530,823
College Contributions Subsequent to the Measurement Date	5,141,936	-
Total	$ 5,141,936	$ 7,606,085

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (under GASB #75)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	$ (1,193,822)
2020	(1,193,822)
2021	(1,193,822)
2022	(1,193,822)
2023	(811,116)
Thereafter	(2,019,681)
Total	$ (7,606,085)

Net OPEB Obligation (under GASB #45)

The College had an actuarial valuation performed for the plan as of 2017 to determine the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2017. The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 was as follows:

Annual OPEB Cost	$ 6,087,408
Employer Contribution	(4,918,600)
Net OPEB Obligation	$ 1,168,808
% of Annual OPEB Cost Contributed	80.80%

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Net OPEB Obligation (under GASB #45)

The net OPEB obligation as of June 30, 2017, was recorded in OPEB asset value on the Statement of Net Position and was calculated as follows:

Annual Required Contribution (ARC)	$ 6,201,741
Interest on Net OPEB Obligation	(368,305)
Adjustment on ARC	253,972
Annual OPEB Cost	6,087,408
Less: Contributions Made	4,918,600
Increase (Decrease) in Net OPEB Obligation	1,168,808
Net OPEB Asset - Beginning of Year	(4,910,732)
Net OPEB Asset - End of Year	$ (3,741,924)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions as to current claims cost, projected increases in health care costs, morbidity, turnover, and interest discount. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past exceptions and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At June 30, 2017, the projected unit credit actuarial cost method was used. The actuarial assumptions were as follows:

Investment Rate of Return (Net of Administrative Expenses)	7.50 %
Annual Healthcare Cost Trend Rate- Pre-65 Retirees	6.50 %
Annual Healthcare Cost Trend Rate- Post-65 Retirees	6.00 %

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Net OPEB Obligation (under GASB #45)

The annual healthcare cost trend rate assumes grading down to 5.0% for fiscal year ending June 30, 2021 for pre-65 retirees and June 30, 2019 for post-65 retirees. The actuarial value of assets was determined by using the market value of the assets. The plan's unfunded actuarial accrued liability was being amortized as a level of percentage of projected payroll assumed to grow 4% per year. The remaining amortization period as of June 30, 2017 was 22 years.

NOTE 13 STATE AND COUNTY EXPENDITURES (MC)

The County issues general obligation bonds, the proceeds from which are transferred to the College for the purpose of financing acquisition of land, buildings, and equipment. For the years ended June 30, 2018 and 2017, the County made principal payments of $15,090,627 and $14,257,347, respectively, and interest payments of $9,221,756 and $9,206,530, respectively, on these bonds.

The State of Maryland also reimburses the College for the employer's share of contributions to the ORP for eligible employees. The total amount reimbursed for the years ended June 30, 2018 and 2017, was $4,868,811 and $4,883,064, respectively. This appropriation by the State has been recorded as a nonoperating revenue item and the expenditure is listed as an operating expense.

The Capital Improvements Program (CIP) for the College is approved biennially by the County. The approval of some projects includes funding from other governmental agencies. All funds transferred to the College for CIP expenditures come directly from the County, with governmental reimbursements made directly by those organizations back to the County for their share of project costs. The amount listed under the Current Asset designation as CIP receivable as of June 30 is due to the following organizational participation in CIP expenditures:

	2018	2017
Montgomery County	$ 9,588,494	$ 15,082,477
State of Maryland	4,902,489	1,944,659
Total	$ 14,490,983	$ 17,027,136

NOTE 14 TUITION WAIVER (MC)

The College waives tuition charges for its programs for any resident of Maryland who is 60 years old or older, when course space is still available, and only during the three days following the end of regular registration. Additionally, the College has a 50% waiver of tuition for eligible Maryland National Guard members and up to 100% for eligible foster care students. Tuition is also waived for any resident of Maryland who is retired or disabled as defined by the Social Security or Railroad Retirement Act and who enrolls in any class at the College which is eligible under Maryland Annotated Code Section 16-403 for State support; and for eligible College employees who can enroll in credit only courses which are outside of the individual's normal working hours. During the year ended June 30, 2018, the College waived $765,532 in credit and $717,508 in noncredit tuition for senior, disabled, foster care, and National Guard students. During the year ended June 30, 2017, the College waived $650,206 in credit and $714,975 in noncredit tuition for senior, disabled, foster care, and National Guard students.

The College offers a tuition waiver program whereby the College waives credit tuition for dependents of eligible College employees. For the fiscal year ended 2018, the College waived $591,615 for its employees and their dependents. The total tuition amount waived for the College for the fiscal year ended 2018 is $2,074,655. For the fiscal year ended 2017, the College waived $574,799 for its employees and their dependents. The total tuition amount waived for the College for the fiscal year ended 2017 was $1,939,980.

NOTE 15 INCOME TAX STATUS (MC, PIC MC, AND MCF)

The College is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code, except as to unrelated business income. No provision for income taxes has been accrued since the College anticipates no tax liability for the year ended June 30, 2017. Due to the new IRS Code Section 132, effective January 1, 2018, tax-exempt employers will be subject to the tax on unrelated business income for any qualified transportation benefits provided to employees. The College anticipated and accrued $29,000 for unrelated business income tax liability for the year ended June 30, 2018.

The Foundation and PIC MC are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state statutes, except as to unrelated business income. The Foundation and PIC MC had no unrelated business income for the years ended June 30, 2018 and 2017.

The Foundation and PIC MC follow accounting guidance related to Accounting for Uncertainty in Income Taxes*,* which provides guidance on recognition, classification, and disclosure concerning uncertain tax liabilities. The evaluation of a tax position requires disclosure of a tax liability if it is more likely than not that it will not be sustained upon examination by the Internal Revenue Service. Management has analyzed the Foundation and PIC MC's tax positions, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements.

NOTE 16 RISK MANAGEMENT – SELF-INSURANCE (MC)

The College, as a component unit of the County, participates in the County's self-insurance risk pool for liability and property coverage and maintains its own self-insurance pool for health and dental benefits. The College and the County account for risk financing activities in accordance with GASB No. 10, entitled *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.*

The Montgomery County Self-Insurance Program is maintained for liability and property coverage under which participants share workers' compensation, comprehensive general, automobile, and professional liability, fire and theft, and other selected areas which require coverage. There have been no significant reductions in this insurance coverage from the previous year. Commercial coverage is purchased for claims in excess of coverage by the self-insurance fund and for other risks not covered by the fund. Settled claims have not exceeded commercial coverage in fiscal years 2018 and 2017. Other program participants are qualifying County government agencies. An inter-agency insurance panel is responsible for overseeing the program. This program offers overall risk management and cost sharing for all participants. In the event that the program's trust or escrow funds fall into a deficit, the program panel shall determine a method to fund the deficit. The program can assess additional premiums to each deficit-year participant.

Premiums are charged to the appropriate College fund with no provision made for any additional liability in addition to premiums, unless assessed by the program. As of June 30, 2018, there was no deficit in the trust or escrow funds and no additional assessments have been made.

The College is self-insured for health and dental benefits provided to its employees. To protect itself against significant losses, the College has stop-loss policies in place for individual participant claims in excess of $150,000 per year and aggregate annual participant claims in excess of 125% of premium. The College has a contract with an administrative service provider to process participant claims under these programs. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balance of claims payable relative to the health and dental self-insurance fund for the years ended June 30, 2018 and 2017 are as follows. Claims liabilities are included in accounts payable and accrued expenses on the Statements of Net Position.

Balance - June 30, 2016	$ 1,192,000
Claims and Changes in Estimates	19,860,689
Claims Payments	(19,883,689)
Balance - June 30, 2017	1,169,000
Claims and Changes in Estimates	20,094,942
Claims Payments	(19,929,942)
Balance - June 30, 2018	$ 1,334,000

NOTE 17 COMMITMENTS AND CONTINGENCIES (MC AND MCF)

Commitments and Contingencies (MC)

The College is obligated under several noncancelable operating leases for office space expiring in various years through 2028. Net rent expense under these operating leases, included in contracted services expenses, was $2,026,775 and $3,223,432 for the years ended June 30, 2018 and 2017, respectively. The projected minimum lease payments under the terms of the leases at June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 1,131,957
2020	938,148
2021	962,218
2022	530,025
2023	541,851
Total	$ 4,104,199

The College has entered into several multi-purpose contracts that improve and support the operational and infrastructure functionality of the College expiring in 2023. At June 30, 2018, payments for the contract agreements and purchase agreements for the next five years are as follows:

Year Ending June 30,	Amount
2019	$ 8,654,156
2020	5,981,787
2021	5,404,127
2022	5,181,244
2023	2,604,244
Total	$ 27,825,558

As of June 30, 2018 and 2017, there were uncompleted contracts amounting to $67,426,794 and $29,015,945, respectively, for construction activity at all campuses. Retainage on construction contracts is not included in this amount, but is shown in the financial statements within accounts payable.

The College is currently the defendant in three tort suits. It is the opinion of the College's management, after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the College's financial position.

NOTE 18 FAIR VALUE (MC AND MCF)

The College and Foundation 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.

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

The asset or liability's measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

Governmental agencies and U.S Treasury Notes are valued at fair value using a matrix pricing technique. Equity securities and mutual funds are valued at fair value based on quoted market prices at year-end. The fair values of money market funds approximate cost. The Foundation currently has no Level 3 assets.

As of June 30, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

NOTE 18 FAIR VALUE (MC AND MCF) (CONTINUED)

Assets at Fair Value (MC)

	2018			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobserverable Inputs Level 3	Total
Government Agencies	$ -	$ 9,916,130	$ -	$ 9,916,130
US Treasury Notes	-	9,431,680	-	9,431,680
Equity Securities	1,447,987	-	-	1,447,987
Mutual Funds	1,653,072	-	-	1,653,072
	$ 3,101,059	$ 19,347,810	$ -	$ 22,448,869

	2017			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobserverable Inputs Level 3	Total
Government Agencies	$ -	$ 20,463,600	$ -	$ 20,463,600
Equity Securities	666,878	-	-	666,878
Mutual Funds	826,280	-	-	826,280
	$ 1,493,158	$ 20,463,600	$ -	$ 21,956,758

NOTE 18 FAIR VALUE (MC AND MCF) (CONTINUED)

Assets at Fair Value (MCF)

	2018			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Mutual Funds, by Type:				
Alternatives	$ 4,392,359	$ -	$ -	$ 4,392,359
Bond	1,605,835	-	-	1,605,835
Convertible	188,492	-	-	188,492
Equity	3,752,146	-	-	3,752,146
Fixed Income	1,858,375	-	-	1,858,375
Floating Rate	710,119	-	-	710,119
Growth	4,889,446	-	-	4,889,446
International	6,359,664	-	-	6,359,664
Real Estate	2,083,050	-	-	2,083,050
Value	3,621,714	-	-	3,621,714
Total	29,461,200	-	-	29,461,200
Stock				
Bristol-Myers Squibb	50,913	-	-	50,913
Subtotal	50,913	-	-	50,913
Assets Held for Charitable Gift Annuities				
Mutual Funds, by Type:				
Alternatives	14,151	-	-	14,151
Bond	6,634	-	-	6,634
Equity	7,813			7,813
Fixed Income	6,708	-	-	6,708
Growth	18,372	-	-	18,372
International	24,814	-	-	24,814
Real Estate	4,101	-	-	4,101
Value	7,463	-	-	7,463
Total	90,056	-	-	90,056
Total Assets, at Fair Value	$ 29,602,169	$ -	$ -	$ 29,602,169

NOTE 18 FAIR VALUE (MCF) (CONTINUED)

Assets at Fair Value (MCF) (Continued)

	2017			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Mutual Funds, by Type:				
Alternatives	$ 4,139,186	$ -	$ -	$ 4,139,186
Blend	1,322,177	-	-	1,322,177
Bond	1,977,445	-	-	1,977,445
Convertible	250,822	-	-	250,822
Diversified Fixed Income	355,970	-	-	355,970
Equity	732,968	-	-	732,968
Floating Rate	411,578	-	-	411,578
Growth	5,959,945	-	-	5,959,945
International	4,735,056	-	-	4,735,056
Real Estate	2,527,013	-	-	2,527,013
Value	5,466,109	-	-	5,466,109
Subtotal	27,878,269	-	-	27,878,269
Assets Held for Charitable Gift Annuities				
Mutual Funds, by Type:	12,294	-	-	12,294
Bond	8,797	-	-	8,797
Blend	13,985	-	-	13,985
Emerging	2,213	-	-	2,213
Equity	3,919	-	-	3,919
International	25,059	-	-	25,059
Growth	22,276	-	-	22,276
Real Estate	8,410	-	-	8,410
Value	17,027	-	-	17,027
Total	113,980	-	-	113,980
Total Assets, at Fair Value	$ 27,992,249	$ -	$ -	$ 27,992,249

Liabilities at Fair Value (MCF)

Annuity obligations – the fair value of the Foundation's annuity obligations is based on the net present value of the anticipated benefit. As benefit payments are made, the liability is adjusted based on an amortization schedule.

NOTE 18 FAIR VALUE (MCF) (CONTINUED)

Liabilities at Fair Value (MCF) (Continued)

Liabilities for charitable gift annuities are classified as follows at June 30:

	2018			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Annuity Obligations, at Fair Value	$ -	$ 841,476	$ -	$ 841,476

	2017			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Annuity Obligations, at Fair Value	$ -	$ 869,643	$ -	$ 869,643

NOTE 19 RESTRICTED ASSETS (MCF)

Temporarily Restricted

Temporarily restricted net assets represent funds restricted by donors for scholarships, student athletics, student, and faculty support, resource development, and other college initiatives. Net assets released from restriction include management fees charged to the temporarily restricted earnings portion of endowment funds.

As of June 30, net assets were temporarily restricted for the following:

	2018	2017
General Use Programs	$ 5,872,046	$ 5,529,472
Scholarships	5,807,267	4,746,076
Student Athletics	72,460	61,770
Total	$ 11,751,773	$ 10,337,318

For fiscal years ending June 30, 2018 and 2017, temporarily restricted net assets released from restriction were used for the following:

	2018	2017
General Use Programs	$ 1,113,437	$ 1,476,297
Scholarships	2,473,108	2,063,932
Student Athletics	12,355	10,376
Total	$ 3,598,900	$ 3,550,605

NOTE 19 RESTRICTED ASSETS (MCF)

Permanently Restricted

Permanently restricted net assets represent perpetual endowment funds that are required to be retained permanently by explicit donor stipulation. As of June 30, 2018 and 2017, earnings from permanently restricted net assets were restricted for the following:

	2018	2017
Scholarships	$ 15,056,875	$ 14,564,474
General Use Programs	7,250,128	7,220,949
Student and Faculty Support	70,168	59,079
Annuity Funds	34,914	33,004
Total	$ 22,412,085	$ 21,877,506

NOTE 20 ENDOWMENT (MCF)

The Foundation's endowment consists of 274 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund.
2) The purposes of the Foundation and the donor-restricted endowment fund.
3) General economic conditions.
4) The possible effect of inflation and deflation.
5) The expected total return from income and the appreciation of investments.
6) Other resources of the Foundation.
7) The investment policies of the Foundation.

NOTE 20 ENDOWMENT (MCF) (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the investment return objective is to attain an average annual total return of CPI plus 5% (nominal return net of investment management fees) over the long term (up to a rolling five-year period). The goal is to combine various asset classes to achieve diversification and at the same time balance the risk and return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund’s average fair value over the prior 12 quarters through March 31 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a moderate annual rate. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 20 ENDOWMENT (MCF) (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

The Foundation had the following changes in the endowment net assets for the fiscal years ended June 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ -	$ 5,044,723	$ 21,091,336	$ 26,136,059
Contributions	-	35,459	929,925	965,384
Appropriations of Endowment Assets for Expenditures	-	(1,235,080)	-	(1,235,080)
Endowment Net Assets After Contributions and Expenditures	-	3,845,102	22,021,261	25,866,363
Net Investment Income	-	2,149,200	-	2,149,200
Subtotal	-	5,994,302	22,021,261	28,015,563
Other Changes:				
Donor Requested Endowment of Previously Unendowed Gift	-	(484)	(5,289)	(5,773)
Endowment Net Assets - End of Year	$ -	$ 5,993,818	$ 22,015,972	$ 28,009,790

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ -	$ 3,752,822	$ 20,084,395	$ 23,837,217
Contributions	-	35,135	989,259	1,024,394
Appropriations of Endowment Assets for Expenditures	-	(1,163,332)	-	(1,163,332)
Endowment Net Assets After Contributions and Expenditures	-	2,624,625	21,073,654	23,698,279
Net Investment Income	-	2,420,098	-	2,420,098
Subtotal	-	5,044,723	21,073,654	26,118,377
Other Changes:				
Donor Requested Endowment of Previously Unendowed Gift	-	-	17,682	17,682
Endowment Net Assets - End of Year	$ -	$ 5,044,723	$ 21,091,336	$ 26,136,059

NOTE 20 ENDOWMENT (MCF) (CONTINUED)

The permanently restricted balances above do not include pledges receivable of $361,199 and $753,166 for the years ended June 30, 2018 and 2017, respectively. The permanently restricted balances above also do not include net assets related to annuities of $34,915 and $33,004 as of June 30, 2018 and 2017, respectively, which do not become part of endowment assets until maturity. The endowment assets are primarily comprised of the Foundation's investments as detailed in Note 2. The remaining endowment assets are comprised of cash.

The Foundation maintains a general endowment, where the donors have specified all earnings are unrestricted for general Foundation operations. Accumulated unrestricted earnings of $19,954 and $12,985 were transferred to the Foundation's Unrestricted Fund on June 30, 2018 and 2017, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $108 and $-0- as of June 30, 2018 and 2017, respectively.

NOTE 21 PROGRAM SERVICE DESCRIPTIONS (MCF)

Scholarships

Scholarships are established by donors' contributions and endowments and are awarded to students who have met the donors' imposed restrictions.

Student Athletics

The Student Athletics program is a designated program established for use by the College's athletic department. The program reimburses the athletic department for certain expenses incurred during the year.

Student and Faculty Support

The Student and Faculty Support program distributes grants and awards to deserving individuals and academic programs. This program also includes noncash donations received which are subsequently given to the College. Noncash donations for fiscal years 2018 and 2017 were valued at 36,371 and $96,813, respectively, and are included in Other Noncash Contributions on the Statements of Activities.

NOTE 22 BLENDED COMPONENT UNIT (MC)

The College's blended component unit, PIC MC's Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses, and Changes in Net Position as of June 30, 2018 and 2017 and for the years then ended are as follows:

	2018	2017
Assets		
Cash and Cash Equivalents	$ 1,465,210	$ 1,553,322
Current Investments	4,203,785	2,993,780
Other Receivables	-	1,329
CIP - Land Development Cost	226,919	226,919
Noncurrent Investments	-	1,006,501
Total Assets	$ 5,895,914	$ 5,781,851
Liabilities and Net Position		
Accounts Payable and Accrued Liabilities	$ 26,785	$ 15,341
Current Unearned Revenue	63,462	63,462
Noncurrent Unearned Revenue	5,812,040	5,875,502
Unrestricted Net Position	(6,373)	(172,454)
Total Liabilities and Net Position	$ 5,895,914	$ 5,781,851

	2018	2017
Revenue		
Land Lead Income	$ 63,462	$ 63,462
Investment and Interest Income	105,493	35,667
Unrealized Gains	119,537	-
Total Revenue	288,492	99,129
Expenses		
Contracted Services	58,539	9,887
Professional Fees	4,543	4,512
Other	59,329	32,856
Total Expenses	122,411	47,255
Increase in Net Position	166,081	51,874
Net Position - Beginning of Year	(172,454)	(224,328)
Net Position - End of Year	$ (6,373)	$ (172,454)

NOTE 23 RESTATEMENT (MC)

The College implemented GASB 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as part of the implementation beginning net position was decreased by $68,082,401 to $468,460,599 for 2018. The restatement was not presented on 2017 net position based on the availability of sufficient information.

Net position July 1, 2017, as previously stated	$ 536,543,000
Cumulative affect of application of GASB 75, net OPEB liability	(72,139,825)
Cumulative affect of application of GASB 75, deferred outflow of resources for College contributions made to the plan during the fiscal year ending June 30, 2018	4,057,424
Net position July 1, 2017, as restated	$ 468,460,599

NOTE 24 SUBSEQUENT EVENTS (MC AND MCF)

Management evaluated subsequent events through October 5, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to October 5, 2018, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2018.

MONTGOMERY COLLEGE
SCHEDULES OF CHANGES IN THE COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS – GASB #75
YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	$ 4,744,380	N/A								
Interest cost	6,966,124	N/A								
Changes of benefit terms	-	N/A								
Differences between expected and actual experiences	-	N/A								
Changes of assumptions	(6,886,378)	N/A								
Benefit payments	(2,396,867)	N/A								
Net change in total OPEB Liability	2,427,259	N/A								
Total OPEB liability - beginning of year	111,010,782	N/A								
Total OPEB liability - end of year	$ 113,438,041	$ 111,010,782								
Plan Fiduciary Net Position										
Contributions- employer	$ 3,920,867	N/A								
Contributions- member	-	N/A								
Net investment income	5,158,139	N/A								
Benefit payments	(2,396,867)	N/A								
Administrative expense	(226,832)	N/A								
Other	-	N/A								
Net change in plan fiduciary net position	6,455,307	N/A								
Plan fiduciary net position - beginning of year	42,612,881	N/A								
Plan fiduciary net position - end of year	$ 49,068,188	$ 42,612,881								
Net OPEB Liability	$ 64,369,853	$ 68,397,901								
Net position as a percentage of OPEB liability	43.26%	38.39%								
Covered-employee payroll	$ 153,024,708	$ 156,386,137								
Net OPEB liability as a percentage of payroll	42.07%	43.74%								

Information prior to fiscal year 2017 was not available and the College will accumulate each year until 10 years of data becomes available.

Notes to Schedule
Benefit changes - None
Changes in assumptions- Discount rate: 6.08%

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S OPEB CONTRIBUTIONS – GASB #75
YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	N/A*	$ 6,201,741	$ 5,327,809							
Contributions in relation to the actuarially determined contribution	5,141,926	3,920,867	4,918,600							
Contribution deficiency (excess)	N/A	$ 2,280,874	$ 409,209							
Covered employee payroll	$ 154,305,883	$ 153,024,708	$ 156,386,137							
Contributions as a % of payroll	3.33%	2.56%	3.15%							

Information prior to fiscal year 2017 was not available and the College will accumulate each year until 10 years of data becomes available.

* The information for the 2018 Actuarially determined contribution and the related data will become available upon completion of the next actuarial valuation.

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, closed
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	Pre-65: 6.50% for 2017 with an ultimate rate of 4.76% in 2062 65+: 6.00% for 2017 with an ultimate rate of 4.71% in 2062
Salary increases	5.50%
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement age	Participants are assumed to retire at various likelihoods beginning with 5% at age 55 and ending with 100% at age 70
Mortality	RP 2014 Generational Mortality Table with Scale MP-2014

MONTGOMERY COLLEGE
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
FOR OTHER POST-EMPLOYMENT BENEFIT PLAN – GASB #45
JUNE 30, 2018

The following required supplementary information is provided in accordance with GASB No. 45. The Plan has an actuarial valuation performed each year and the schedule below presents information for the past seven plan years. Information will continue to accumulate until 10 years of data becomes available. Please refer to Note 12 of the Notes to Financial Statements for a more detailed description of Montgomery College's reporting of Other Postemployment Benefits (OPEB) for FY2018. The Plan had a net OPEB asset. The College is utilizing that asset as part of the funding plan.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6-30-08	$ 25,459,619	$ 52,188,571	$ 26,728,952	48.78%	$ 104,590,815	25.56%
6-30-09	20,632,100	61,627,035	40,994,935	33.48%	113,812,228	36.02%
6-30-10	21,960,175	69,046,415	47,086,240	31.80%	117,804,463	39.97%
6-30-11	24,463,628	75,206,285	50,742,657	32.53%	122,516,462	41.42%
6-30-12	24,712,358	84,564,758	59,852,400	29.22%	122,176,794	48.99%
6-30-13	30,559,057	90,930,002	60,370,945	33.61%	127,063,866	47.51%
6-30-14	39,204,705	70,142,660	30,937,955	55.89%	129,806,810	23.83%
6-30-15	41,228,725	79,988,358	38,759,633	51.54%	134,999,082	28.71%
6-30-16	42,612,881	86,229,885	43,617,004	49.42%	156,386,137	27.89%
6-30-17	49,068,188	91,374,200	42,306,012	53.70%	153,024,708	27.65%

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage Contributed
6-30-16	$ 5,218,428	$ 5,431,102	104%
6-30-17	6,087,408	4,918,600	81%

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017	2016	2015
Employees' Retirement and Pension System:				
College's proportionation of the net pension liability	0.671106%	0.705858%	0.671060%	0.583723%
College's proportionate share of the net pension liability	$ 14,511,796	$ 16,654,033	$ 13,957,122	$ 10,359,173
College's covered employee payroll	$ 17,269,398	$ 17,016,823	$ 16,422,879	$ 15,375,630
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	84.03%	96.44%	82.02%	67.66%
Plan fiduciary net position as a percentage of the total pension liability	66.71%	62.97%	66.26%	73.65%
Teacher's Retirement and Pension System:				
College's proportionation of the net pension liability	0.0%	0.0%	0.0%	0.0%
College's proportionate share of the net pension liability		$ -	$ -	$ -
State's proportionate share of the net pension liability of the College	123,398,174	121,506,969	92,046,440	69,065,207
Total	$ 123,398,174	$ 121,506,969	$ 92,046,440	$ 69,065,207
College's covered employee payroll	$ 66,906,516	$ 66,536,656	$ 63,045,184	$ 59,003,580
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	71.41%	67.95%	70.76%	69.53%
Aetna Pension Plan				
College's proportionation of the net pension liability	100.0%	100.0%	100.0%	100.0%
College's proportionate share of the net pension (asset) liability	$ (2,680,419)	$ (1,005,484)	$ 254,019	$ (1,213,552)
College's covered employee payroll	$ 308,030	$ 486,083	$ 1,065,000	$ 1,065,000
College's proportionate share of the net pension (asset) liability as a percentage of its covered employee payroll	-870.18%	-206.85%	23.85%	-113.95%
Plan fiduciary net position as a percentage of the total pension (asset) liability	539.81%	1445.81%	5436.13%	-1164.11%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S PENSION CONTRIBUTIONS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018**	2017**	2016**	2015**	2014**
Employees' Retirement and Pension System					
Contractually required contribution	$ 1,512,925	$ 1,365,928	$ 1,375,069	$ 1,415,565	$ 1,360,285
Contributions in relation to the contractually required contribution	(1,512,925)	(1,365,928)	(1,375,069)	(1,415,565)	(1,360,285)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 18,071,802	$ 17,269,398	$ 17,016,823	$ 16,422,879	$ 15,375,630
Contributions as a percentage of covered-employee payroll	8.37%	7.91%	8.08%	8.62%	8.85%

	2018*	2017*	2016*	2015*	2014*
Teachers Retirement and Pension System					
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 67,984,113	$ 66,906,516	$ 66,536,656	$ 63,045,184	$ 59,003,580
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

	2018*	2017*	2016*	2015*	2014*
Aetna Plan					
Contractually required contribution	$ 700,000	$ 800,000	$ 1,000,000	$ 820,000	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ 700,000	$ 800,000	$ 1,000,000	$ 820,000	$ -
College's covered-employee payroll	$ 308,030	$ 486,083	$ 1,065,000	$ 1,065,000	$ 1,717,415
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

** The College is not contractually required to contribute to the Teachers' Retirement and Pension System.*

** Information prior to fiscal year 2013 was not available and the College will accumulate each year until 10 years of data becomes available.

STATE OF MARYLAND RETIREMENT AND PENSION SYSTEM

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2016 valuation:

- Investment return assumption changed from 7.55% to 7.50%
- Inflation assumption changed from 2.70% to 2.65%
- Wage inflation assumption changed from 3.20% to 3.15%
- New funding methodology set forth by Maryland legislation was first reflected in the June 30, 2016 valuation. The legislation removed the corridor funding method effective with the June 30, 2016 valuation.

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortizing Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years for State system
Asset Valuation Method	5-year smoothed market (max 120% and min 80% of market value)
Inflation	2.90% general, 3.15% wage
Salary Increases	3.15% to 9.15%, including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience based tables of rates that are specific to the type of eligibility condition. Last updated for 2015 valuation pursuant to the Experience Study for the period July 1, 2010 to June 30, 2014.
Mortality	RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 two-dimensional mortality improvement scale.

AETNA PENSION PLAN

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2016 valuation:

- A change in the mortality assumption from the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with scale MP-2016 to the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with scale MP-2017.
- Salary increases assumption has been changed from 5.50% to 3.00%.

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	Gain/Losses over 5 years, assumptions over 10 years, and plan changes over 30 years
Asset Valuation Method	Fair Value
Inflation	2.50%
Salary Increases	3.00%, including cost of living increases
Investment Rate of Return	4.0%, net of pension plan investment expense, including inflation
Retirement Age	None
Mortality	RP-2014 Mortality Table with generational improvements by Scale MP-2017