LOUDOUN COUNTY PUBLIC SCHOOLS

A Component Unit of the County of Loudoun, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Loudoun County Public Schools

Established in 1870

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2015

LOUDOUN COUNTY PUBLIC SCHOOLS

A Component Unit of the County of Loudoun, Virginia

Prepared by:
Department of Business & Financial Services
Division of Accounting

Dr. Eric Williams, Superintendent
E. Leigh Burden, Assistant Superintendent for Business & Financial Services
Thomas C. Yetter, SFO, Director of Financial Services

Loudoun County Public Schools
A Climate for Success

Loudoun County Public Schools

Established in 1870

LOUDOUN COUNTY PUBLIC SCHOOLS

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Table of Contents

STATISTICAL SECTION

Introductory Section

The **Introductory Section** contains the letter of transmittal, which provides an overview of Loudoun County Public Schools' organizational structure, economic condition and outlook, strategic governance, major initiatives, management controls and accomplishments. Also included in the introductory section is a listing of School Board Members and administration, an organizational chart, and awards for excellence in financial reporting.

Loudoun County Public Schools

Established in 1870

LOUDOUN COUNTY PUBLIC SCHOOLS
OFFICE OF THE SUPERINTENDENT
21000 Education Court
Ashburn, VA 20148
571-252-1020

November 30, 2015

Loudoun County School Board
21000 Education Court
Ashburn, Virginia 20148

Dear Chairman Hornberger, Members of the Board and Citizens of Loudoun County:

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the Loudoun County Public Schools (LCPS) for the fiscal year ended June 30, 2015. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with LCPS' management. We believe the data, as presented, are accurate in all material respects, are presented in a manner designed to fairly set forth the financial position and results of operations of LCPS as measured by the financial activity of our various funds, and that all disclosures necessary to enable the reader to understand LCPS' financial activity have been included. LCPS is considered a component unit of the County of Loudoun, Virginia (County) and, accordingly, LCPS' financial position and results of operations are included in the County's CAFR for the fiscal year ended June 30, 2015. We specifically direct you to the section entitled, "Management's Discussion and Analysis" (MD&A) or a summary of LCPS' financial activity. The MD&A is management's narrative overview and analysis of the financial statements, which should be read in conjunction with the letter of transmittal.

The County of Loudoun, including LCPS, is required to undergo an annual compliance or "single" audit in conformity with the provisions of the revised Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations." Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and the auditor's report on internal control over financial reporting and on compliance and other matters, is included in a separate report.

These financial statements were audited by the accounting firm of Cherry Bekaert LLP, who expressed an unmodified opinion. They have examined, on a test basis, documents supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; and evaluated the overall financial statement presentation. The report of the independent auditor is included in the financial section of this report.

Organizational Structure

The Virginia Board of Education is responsible for apportioning the Commonwealth of Virginia (State) into school divisions based on geographic area and school age population. The school divisions are charged with promoting the realization of the standards of quality required by Article VIII, of the Constitution of Virginia. The General Assembly shall determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed standards of quality, and shall provide for the apportionment of the cost of such programs between the Commonwealth and the local units of government comprising such school divisions. Each unit of local government shall provide its portion of such cost by local taxes or from other available funds. The supervision of schools in each school division shall be vested in a school board.

The LCPS School Board function is to set general school policy and, within the framework of the Virginia Board of Education regulations, establish guidelines and rules that will ensure the proper administration of the school system. The nine-member School Board is elected by the County citizens and serves a four-year term. There is one member from each of the County's eight magisterial districts and one at-large member.

A non-voting student representative is selected from each high school to serve a one-month term to provide student input on educational issues. The School Board is entrusted with the responsibility of hiring the school division's superintendent. The superintendent along with his senior staff, manage the day-to-day operations of the school system.

Economic Condition and Outlook

The growth in the county population is the greatest single factor governing LCPS' budgets. Fiscal year 2016 enrollment is projected to increase 2,522 students and approximately 6,000 by the 2019-2020 school year.

To provide for an increasing student population, Loudoun will fund the construction of two new schools, an Advanced Technology Academy, as well as additions/renovations in FY16 and anticipates a continuing need for new schools. To maintain manageable class sizes, LCPS hired 123 new teachers for the 2014-2015 school year (along with 54 classified employees and 7 administrators). That brought the school system's total labor force in FY15 to 9,822 fulltime employees and 4,233 part-time employees. The FY16 budget funds 379 additional positions. Over 93 percent of LCPS employees are school based.

Loudoun's average cost per pupil for the 2014-2015 school year is $12,951, which puts it fourth out of five school divisions in average cost per pupil in the Northern Virginia area. Approximately 80 percent of this figure supports instruction of our students.

The Loudoun County Board of Supervisors on April 14, 2015, approved an appropriation for LCPS of $981,744,727 for FY 2016, which was an increase of $69.8 million from FY 2015 appropriated levels.

As LCPS sustains its comprehensive educational programs, school staff will focus on achieving success in the following areas:

- At least 92 percent of students will pass all required Standards of Learning tests.
- Continuing project ACCESS (All Children Choosing Electronic Sources Successfully) which has been recognized as an exemplary combination of cutting edge instructional technology for the classroom, teacher training, and technical support.
- To pursue technological advancements to complement all classroom activities and provide individualized instruction for students.
- To continue implementing proactive safety initiatives.
- To continue to encourage parental and community involvement.
- To offer fair and competitive compensation to all employees.
- To pursue excellence in academic achievement for all LCPS students.
- To continue to provide facilities to accommodate the estimated new students to enroll each year.

Major Initiatives

The mission of the Loudoun County Public Schools is to work closely with students, families, and the community to provide a superior education, safe schools, and a climate for success. The educational programs of Loudoun County Public Schools will strive to meet or exceed federal, state, and local requirements for assessment of achievement and to promote intellectual growth, individual initiative, mutual respect, and personal responsibility for productive citizenship.

Loudoun County Public Schools' enrollment continues to grow. As of September 30, 2014, 73,461 students attended Loudoun County's 87 schools, a one-year increase of 3.7 percent.

Loudoun County is one of the fastest-growing counties in America and is expected to continue attracting new residents.

As an example, when the class of 2015 entered our school system as kindergarteners in 2002, it had 2,995 members. LCPS had an enrollment of 37,532 students in 56 schools. When this class graduates in June, it will have 4,803 members and there are 87 LCPS schools.

Academic Achievement

Loudoun County Public Schools had 95.2 percent on-time graduation rate in 2015. The Class of 2015 earned $38,792,416 in grants and scholarships. 91.2 percent moved on to higher education.

All 12 of the LCPS high schools eligible to be ranked nationally by The Washington Post's Challenge Index received this honor in 2014. The Washington Post listed the top 2,093 (or 9 percent) of high schools in America based on the Challenge Index criteria. All LCPS high schools fell within the top 9 percent. The combined SAT score of 1612 was 1 point higher than the overall LCPS average for 2014.

Digital Promise, a national, independent nonprofit organization authorized by Congress to accelerate innovation in education, has named Loudoun County Public Schools (LCPS) as one of 11 new members accepted into the League of Innovative Schools, a national coalition of school district superintendents committed to innovation.

Three LCPS elementary schools designated “focus” schools during the last two school years – Guilford, Rolling Ridge, and Sugarland– are Fully Accredited for 2014-15. (Focus schools are federally designated Title I schools that employ a state-approved academic coach to develop strategies to improve student performance. Guilford, Rolling Ridge and Sugarland received this designation during the 2011-12 school year.)

Working in Support of Education (WISE), an educational non-profit, recently announced that 148 Virginia public schools were named Blue Star Schools and 300 Virginia teachers were named Gold Star Teachers for their students’ performance on the 2013-2014 WISE Financial Literacy Certification test. All 13 eligible Loudoun County Public Schools (LCPS) high schools were named Blue Star Schools (Rock Ridge High School was not yet open).

A record 47 Loudoun County Public Schools (LCPS) buildings have been awarded the 2014 ENERGY STAR label by the federal Environmental Protection Agency (EPA). In addition to the ENERGY STAR designations, LCPS received Premier Membership in the EPA’s Certification Nation program. Certification Nation honors private and public entities that have achieved high ENERGY STAR participation as part of ENERGY STAR’s 15th anniversary.

All eligible Loudoun County Public Schools (LCPS) high schools have received the National Athletic Trainers’ Association Safe Sports School Award. This award champions safety and recognizes secondary schools that provide safe environments for student athletes. The award reinforces the importance of providing the best level of care, injury prevention and treatment.

In 2014, U.S. News & World Report ranked 3 LCPS high schools among the best in the nation – Loudoun Valley (14th in VA; 316th Nationally); Dominion (15th in VA; 326th Nationally); and Potomac Falls (18th in VA; 387th Nationally).

23 LCPS Schools were honored by State VIP Awards.

Community Involvement

LCPS continues to be an integral part of the Loudoun community. Parents and other volunteers donate nearly 200,000 hours a year to support schools by mentoring, tutoring, helping with special projects, fundraising and reading.

Besides LCPS students, Loudoun County’s Department of Parks, Recreation and Community Services, churches, homeowners associations, PTA’s and PTO’s, youth and adult sports leagues, the YMCA, 4-H, adult education classes, civic organizations and the Boy and Girl Scouts use the interior facilities and athletic fields of the public schools. During the 2014-2015 school year, 2,158 facility use requests were processed. Community groups used 60 school gymnasiums in 2014-2015 for recreational basketball, volleyball and other indoor activities. 62 school athletic fields were used in 2014-2015 for community recreational programs. LCPS facilities were utilized by 54 churches during 2014-2015 for church activities.

Future Challenges

As LCPS sustains its comprehensive educational programs for all Loudoun students in future years, it will confront several challenges:

- The continued enrollment growth of nearly 2,000 students per year for the foreseeable future. One of the primary budgetary increases each year is to provide sufficient staff to address the educational needs of the additional students. In addition, enrollment growth creates the need to continue building and opening new schools.
- The continuous need for additional schools and the debt incurred in order to build those schools has a significant impact on the County’s debt capacity.
- During the last several years, due to the economic conditions, class sizes have been increased. Significant financial resources will be required to reduce the class sizes to those included in the School Board’s Goals. Operating budget funds will be needed to fund additional staff and CIP funds will be needed to build additional classrooms.

- Employee compensation will continue to be a challenge as LCPS tries to regain its competitive position relative to surrounding jurisdictions.
- Over the next two years, LCPS will be required to continue the implementation of the Virginia Retirement System change to require employees to fund the employee contribution and offset that cost to employees with an equal raise. During FY16, LCPS will implement the fourth phase of 1%.
- Educational program enhancement or the addition of new programs will be challenging since it will be competing with both class size reductions and employee compensation.

Management Controls

LCPS utilizes a number of control systems to ensure the integrity of its financial information and the protection of its assets.

Internal Controls

LCPS is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of LCPS are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable assurance that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits, which require estimates and judgments by management, is reasonable.

Budgetary Controls

In addition to internal controls, LCPS maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Appropriations Resolution and adopted in the Budget by the County's Board of Supervisors and the School Board.

The level of budgetary control (that is, the level at which Appropriated Budget expenditures cannot legally exceed the appropriated amount) is established at the individual fund level.

However, management control is maintained at the program level within each organizational unit. LCPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Encumbered amounts lapse at year-end; however, after review, they generally are re-appropriated as part of the following year's budget.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LCPS for its CAFR beginning in the fiscal year ended June 30, 2009 and each CAFR through 2014. In order to be awarded a GFOA Certificate of Achievement, certain requirements must be met, including the issuance of an easily readable and efficiently organized CAFR. The report must also satisfy both GAAP and applicable legal requirements.

LCPS was also awarded the Association of School Business Officials International (ASBO) Certificate of Excellence beginning in the fiscal year 2009 and each CAFR through 2014.
ASBO's Certificate of Excellence in Financial Reporting program fosters excellence in the preparation and issuance of school system's annual financial reports.

We believe that the current CAFR also conforms to the GFOA and ASBO Certificate program requirements: and we are therefore submitting it to them to confirm our compliance and to achieve GFOA and ASBO certification.

Acknowledgements

LCPS continues to maintain a strong financial position through responsible and progressive management of financial operations and through sound accounting and financial reporting practices.

The current accounting and financial reporting standards represent significant enhancements and enable increased efficiency in governmental accounting and financial reporting. LCPS continues to support the achievements in these areas by the Governmental Accounting Standards Board, the Government Finance Officers Association, and the Association of School Business Officials International.

These practices provide, in staff's opinion, a sound framework for a truly "comprehensive" annual financial report.

The timely preparation of the Comprehensive Annual Financial Report could not have been accomplished without the effort of the entire staff of this Department's Accounting division.

Special recognition goes to Mr. Robert K. Frye, CPA and the entire Accounting staff for their technical expertise, review, and dedicated service in the preparation of this Comprehensive Annual Financial Report. Continued and diligent efforts by all staff involved towards upgrading LCPS' financial management information systems, and other ancillary financial systems, have led to the improved quality of financial information being reported to management, the Superintendent, the School Board and the citizens of the County.

Respectfully submitted,

Dr. Eric Williams
Division Superintendent

E. Leigh Burden
Assistant Superintendent for
Business and Financial Services

It is only appropriate to express appreciation to all other members of the Department of Business and Financial Services, to LCPS' independent auditors and to all departments that assisted and contributed to the preparation of this Report.

Thanks are also due to the members of the School Board for their interest and continued support in planning and implementing efficient yet effective financial operations of LCPS.

This support and cooperation represents responsible and progressive financial management for LCPS. Staff will strive to maintain the direction the School Board requires to maintain an equitable balance between available resources and the demand for high quality education.

LCPS' financial health is reflected in the soundness of its current financial condition, and it is anticipated that current financial management practices will continue LCPS' tradition of fiscal stability. The School Board's emphasis on sound fiscal planning, budget development and financial management contributes to the present financial condition of LCPS and sets the parameters and tasks for next year.

School Board Members and Administration

Loudoun County Public Schools
As of June 30, 2015

SCHOOL BOARD

Eric D. Hornberger
Chairman
Ashburn District

Jill A. Turgeon
Vice Chairman
Blue Ridge District

Thomas E. Reed
At Large

Debbie K. Rose
Algonkian District

Kevin J. Kuesters
Broad Run District

Jennifer K. Bergel
Catoctin District

Jeff E. Morse
Dulles District

Bill D. Fox
Leesburg District

Brenda L. Sheridan
Sterling District

ADMINISTRATION

Dr. Eric Williams
Superintendent

Dr. Michael Richards
Chief of Staff

Dr. Terri L. Breeden
Assistant Superintendent for Instruction

Dr. Kimberly L. Hough
Assistant Superintendent for Personnel Services

E. Leigh Burden
Assistant Superintendent for Business & Financial Services

Dr. Mary V. Kealy
Assistant Superintendent for Pupil Services

Kevin L. Lewis
Assistant Superintendent for Support Services

Dr. Richard A. Contartesi
Assistant Superintendent for Technology Services

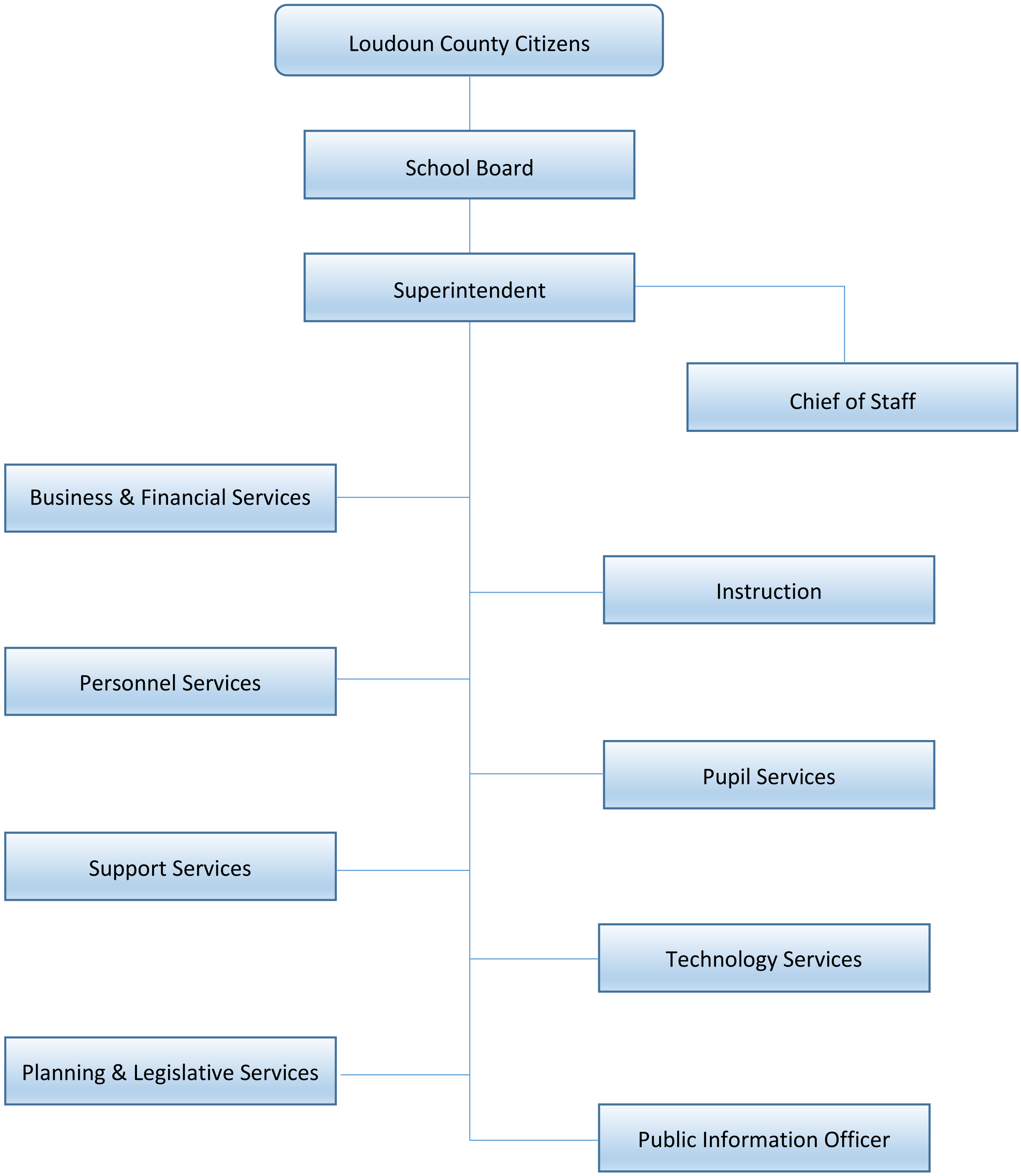
Dr. Sam C. Adamo
Executive Director for Planning & Legislative Services

Wayde B. Byard
Public Information Officer

Stephen L. DeVita
Division Counsel

Christine E. Coleman
Clerk of the School Board

Organizational Chart



AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

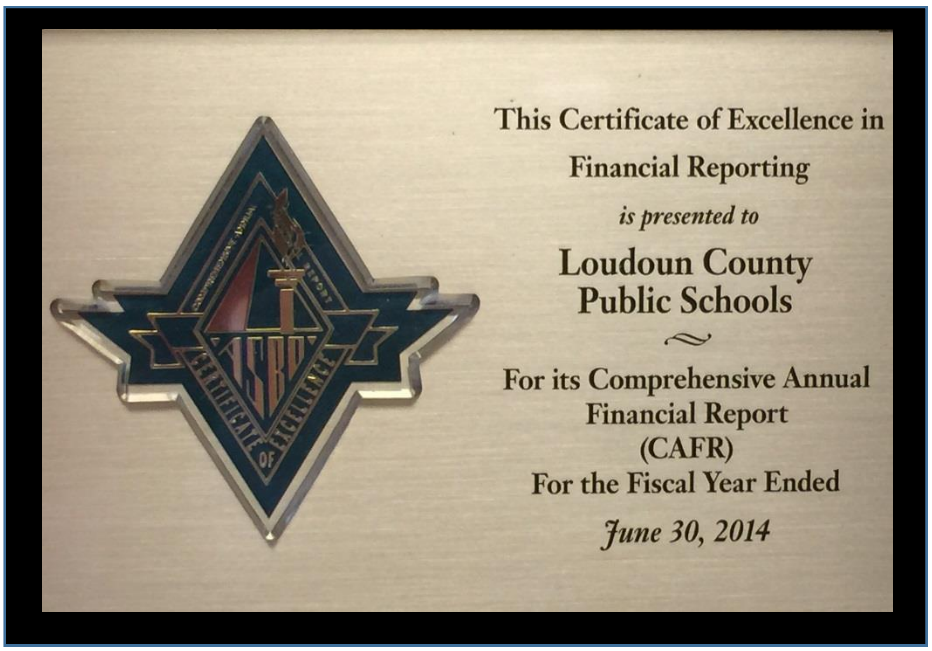
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Loudoun County Public Schools (LCPS) for its Comprehensive Annual Financial Report (CAFR) for the sixth year ended June 30, 2014. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious national award which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish a CAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. In addition, this report must satisfy both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS AWARD

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to LCPS, for its CAFR, for the sixth year ended June 30, 2014. This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting. The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program.

Participation in the Certificate of Excellence in Financial Reporting program validates LCPS' commitment to fiscal and financial integrity and enhances the credibility of LCPS' operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by LCPS in its CAFR based upon specific standards established by the Governmental Accounting Standard Board.



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Financial Section

The **Financial Section** includes the report of the independent auditor, management's discussion and analysis, basic financial statements, including the accompanying notes, required supplementary information, and other supplementary information.

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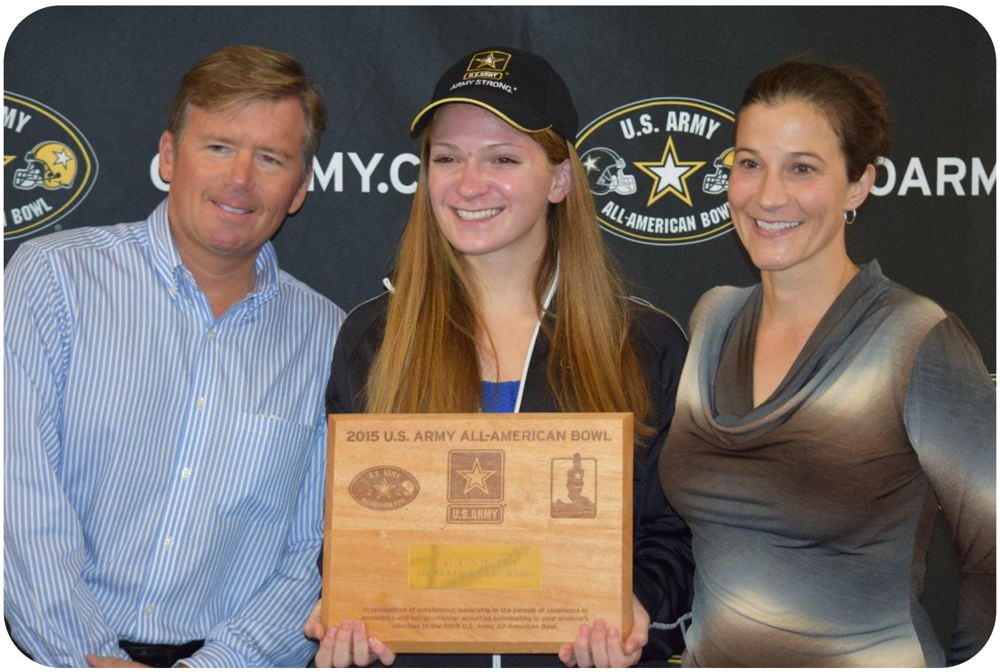
Report of Independent Auditor



Report of Independent Auditor

To the School Board and Management
Loudoun County Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudoun County Public Schools (the “LCPS”), a component unit of Loudoun County, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the LCPS’ 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.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Funds, an agency fund of the LCPS, which represents 4% of the total assets of the aggregate remaining fund information. We also did not audit the financial statements of the Middleburg Community Charter School (the “MCCS”), the LCPS’ only discretely presented component unit. The statements of both the Student Activity Funds and the MCCS were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Student Activity Funds and the MCCS, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Specifications for Audits of Counties, Cities, and Towns (the “Specifications”), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Student Activity Funds and the MCCS were not audited in accordance with the Specifications. Those standards and specifications 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 auditor’s 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 entity’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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudoun County Public Schools, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I(P) and presented in Note IV(I) to the basic financial statements, the LCPS adopted the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, effective July 1, 2014. As a result, related net position as of June 30, 2014 has been restated. Our opinions are not modified with respect to this matter.

Correction of Error

As discussed in Note IV(I) to the basic financial statements, LCPS' Governmental Activities' net position and the fund balance of the General Fund, as of June 30, 2014, have been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are 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 and the required supplementary information on pages 8-20 and 77-84, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LCPS' basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2015, on our consideration of LCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the LCPS' internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The **Management's Discussion and Analysis** subsection provides a narrative introduction, overview, and analysis of the basic financial statements. It includes a description of the government-wide and fund financial statements, as well as, analysis of Loudoun County Public Schools' and its component unit's financial positon and results of operations.

Management's Discussion and Analysis

It is a pleasure to present the financial performance of Loudoun County Public Schools (LCPS). This subsection of the Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the financial activities of LCPS for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information we furnished in our letter of transmittal, which is also contained in this CAFR.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

- The assets and deferred outflows or resources of the total reporting entity, which includes the Middleburg Community Charter School (MCCS) component unit, exceeded liabilities and deferred inflows of resources (net position) by $711.0 million at June 30, 2015. Of this amount, $1,532.2 million is net investment in capital assets.

- At the close of the fiscal year, total revenue of LCPS amounted to $1,080.4 million, while total expenses and special items incurred were $1,000.4 million, which resulted in an increase in net position of $80.0 million or 64.1 percent, from the net increase of $124.8 million for fiscal year 2014.

- Fiscal year ended June 30, 2015, reported costs of governmental activities ($973.6 million) which exceeded program revenues (charges for services, $18.3 million; operating grants and contributions, $27.4 million; and capital grants and contributions, $141.7 million) by $786.2 million.

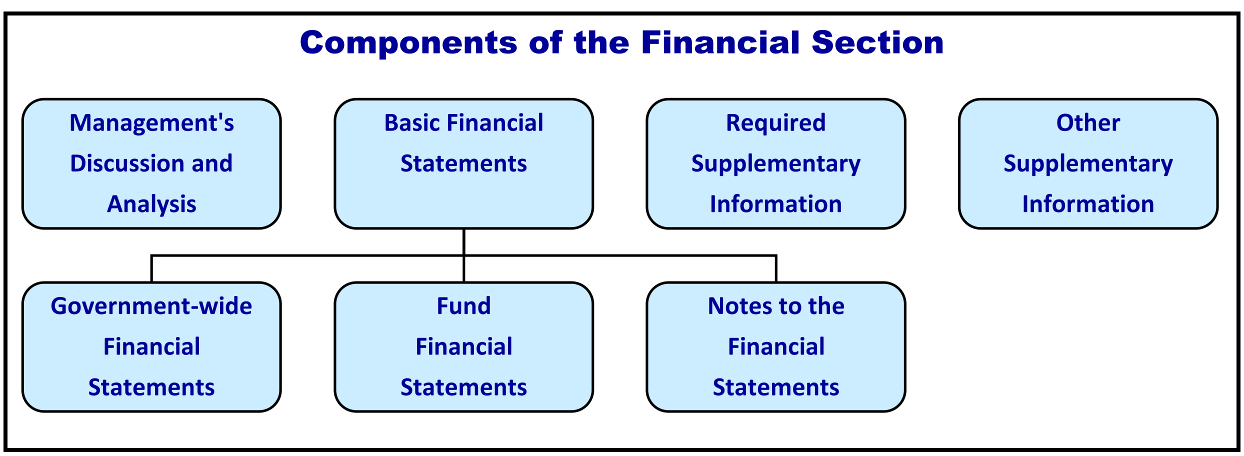
- General revenues, which are funds available for all educational purposes, including contributions from the County of Loudoun, Virginia (County), and other changes in net position in the amount of $893.0 million, were sufficient to cover the excess of programs costs over revenues.

- The MCCS ended its first year of operations on June 30, 2015. The school reported $1.8 million in operating grants and contributions and $.1 million in other revenue, while total expenses incurred were $1.8 million, which resulted in an increase in net position of $.1 million for 2015.

FUND FINANCIAL STATEMENTS

- LCPS' governmental funds reported a combined fund balance of $97.7 million at June 30, 2015, an increase of $19.8 million over the prior year, restated. The General Fund had $140K of the fund balance available for spending at LCPS' discretion (unassigned fund balance).

- At June 30, 2015, the General Fund reported an ending fund balance of $15.6 million, a decrease of $23.0 million from June 30, 2014, restated, with $.1 million unassigned.



OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this CAFR consists of four parts: 1) management's discussion and analysis (presented here), 2) basic financial statements, 3) required supplementary information, and 4) other supplementary information.

LCPS' basic financial statements consist of two types of statements, each with a different perspective of LCPS' financial condition.

The government-wide financial statements provide both long-term and short-term information about LCPS' and its component unit's overall finances. The fund financial statements focus on the details of individual components of LCPS' operations in more detail than the government-wide financial statements. The basic financial statements also include notes to provide additional explanation and detailed information that is essential to a full understanding of the data provided in the financial statements.

The financial statements and notes are followed by required supplementary information, which consists of the budget to actual comparison schedule for the General Fund, pension related schedules, and trend data pertaining to the Other Postemployment Benefits (OPEB) Trust Fund. In addition to these required elements, LCPS provides other supplementary information that includes a budgetary comparison schedule of the Capital Improvements Fund, combining fund statements for the nonmajor governmental funds, budget to actual comparison schedules for the nonmajor governmental funds, combining fund statements for the Internal Service Funds, the statement of changes in assets and liabilities for the Agency Funds, and related statements for LCPS' component unit, MCCS.

GOVERNMENT- WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the activities of LCPS and its component unit, as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report LCPS' and its component unit's net position and how net position has changed during the fiscal year.

The first government-wide statement, the Statement of Net Position, presents information on all of LCPS' and its component unit's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of LCPS' and its component unit's ability to cover costs and continue to provide services in the future.

The second statement, the Statement of Activities, presents information on the net change of LCPS' and its component unit's costs of providing services (i.e., expenses) and resources used to finance those services (i.e., revenues). This statement highlights the extent to which specific programs are able to cover their costs with user fees, contributions and grants, as opposed to being financed with general revenues. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The change in net position from year to year may serve as a gauge of whether LCPS' and its component unit's financial position, as a whole, is improving or diminishing.

All of LCPS' and its component unit's basic services are reported as governmental activities. These activities are financed primarily by charges for services and Federal, State, and County grants and contributions. Included in the governmental activities, in the government-wide financial statements, are the governmental funds and internal service funds.

FUND FINANCIAL STATEMENTS

Fund financial statements provide an additional level of detail about LCPS' most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LCPS uses fund accounting to track transactions in individual funds, as well as to ensure and demonstrate compliance with finance-related legal requirements. All of LCPS' funds are divided into the following three classifications:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 1) how cash and other financial assets that can be readily converted to cash, flow in and out; and 2) the balances remaining at year-end that are available for spending.

The governmental funds provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance LCPS' programs. Because this information does not encompass the additional long-term focus of the governmental activities in the government-wide financial statements, reconciliations are provided to explain the relationship (or differences).

The General Fund accounts for the main operating activities of LCPS. The General Fund is always reported as a major fund.

The Capital Improvements Fund is also reported as a major fund.

All other governmental funds, which include the Lease Fund, School Nutrition Services Fund, the Grant Fund, the Capital Asset Preservation Fund, the Debt Service Fund and the Peabody Trust Fund, are collectively referred to as nonmajor governmental funds.

Information on the General Fund and the Capital Improvements Fund is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Data for the six nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in combining statements elsewhere within the CAFR.

Proprietary Funds – Proprietary funds, which consist of LCPS' Internal Service Funds, are used to account for operations that are financed and operated in a manner similar to private-sector businesses in which costs are recovered primarily through user charges.

Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information. The Internal Service Funds are used to account for LCPS' Central Service and Self Insurance Funds' activities on a cost reimbursement basis. Because these services only benefit LCPS' governmental activities, they have been included with governmental activities in the government-wide financial statements. Both Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these Internal Service Funds is provided in combining statements elsewhere within the CAFR.

Fiduciary Funds – Fiduciary funds are used to account for resources that are held by LCPS for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support LCPS' programs. LCPS' fiduciary funds consist of an OPEB Trust Fund and Agency Funds. The OPEB Trust Fund is used to account for assets held in trust by LCPS for postemployment health benefits.

The Agency Fund, Student Activity, is used to account for monies collected and disbursed in connection with student athletics, classes, clubs, various fund raising activities, and private donations. These monies are only available to support student programs at their respective schools and not for LCPS as a whole. The Agency Fund, Payroll Liabilities Distribution, is used to account for monies collected and disbursed in connection with payroll liabilities. These monies are only available to pay liabilities deducted from employee payroll and not for LCPS as a whole.

FINANCIAL ANALYSIS OF GOVERNMENTAL ACTIVITIES

The Statement of Net Position and the Statement of Activities provide the financial status and operating results of LCPS and its component unit as a whole.

STATEMENT OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of LCPS' financial position. LCPS' assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $710.9 million at the close of fiscal year 2015, representing an increase of $80.0 million or a 12.7 percent increase from the net position at June 30, 2014, restated.

By far, the largest portion of LCPS' net position (214.8 percent) reflects its investment in capital assets (e.g., land, construction in progress, equipment, and buildings) less any related debt used to acquire those assets that is still outstanding. LCPS uses these capital assets to provide services; consequently, they are not available for future spending.

Although LCPS' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The *Code of Virginia* precludes school districts from issuing general obligation debt. As a result, the County issues general obligation debt for LCPS and reports in its financial statements the general obligation debt related to LCPS' capital assets.

LCPS is responsible for the outstanding debt obligations of capital leases amounting to $24.3 million at June 30, 2015.

The following table provides a summary of net position as of June 30, 2015 and 2014:

SUMMARY OF NET POSITION
As of June 30
(Dollars in Millions)

	Primary Government			Component Unit		
	2015	**2014**	**Variance**	**2015**	**2014**	**Variance**
ASSETS						
Current and other assets	$ 213.4	$ 185.1	$ 28.3	$ 0.1	$ -	$ 0.1
Capital assets, net	1,551.5	1,492.5	59.0	-	-	-
Total assets	1,764.9	1,677.6	87.3	0.1	-	0.1
DEFERRED OUTFLOWS OF RESOURCES	93.2	-	93.2	-	-	-
LIABILITIES						
Current liabilities	118.2	103.4	14.8	-	-	-
Long-term liabilities	911.7	995.8	(84.1)	-	-	-
Total liabilities	1,029.9	1,099.2	(69.3)	-	-	-
DEFERRED INFLOWS OF RESOURCES	117.2	-	117.2	-	-	-
NET POSITION						
Net Investment in capital assets	1,532.2	1,469.4	62.8	-	-	-
Restricted	-	32.6	(32.6)	-	-	-
Unrestricted, restated	(821.3)	(871.1)	49.8	0.1	-	0.1
Total net position	$ 710.9	$ 630.9	$ 80.0	$ 0.1	$ -	$ 0.1

STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in LCPS' net position for the fiscal years ended June 30, 2015 and 2014:

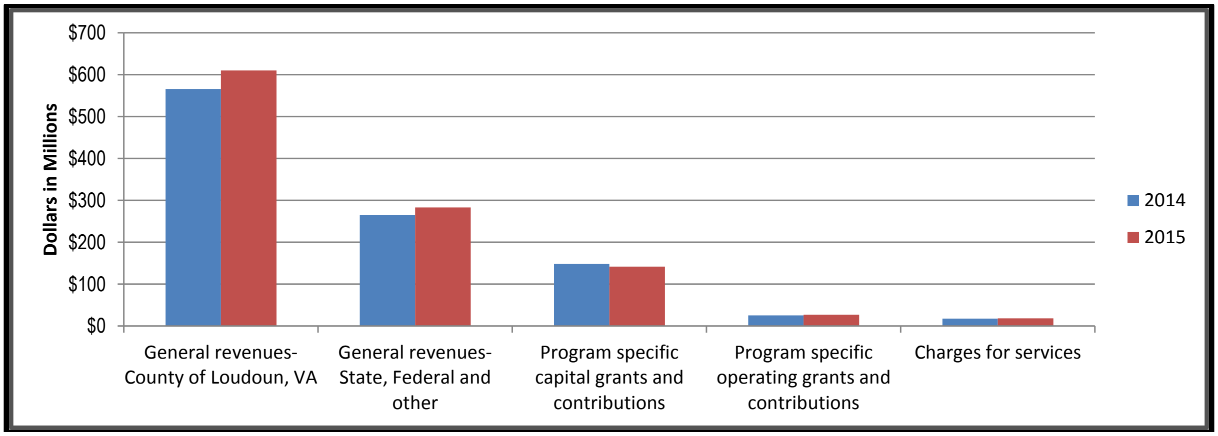
SUMMARY OF CHANGES IN NET POSITION
For the Fiscal Years Ended June 30
(Dollars in Millions)

	Primary Government			Component Unit		
	2015	**2014**	**Variance**	**2015**	**2014**	**Variance**
REVENUES						
Program revenues:						
Charges for services	$ 18.3	$ 17.7	$ 0.6	$ -	$ -	$ -
Operating grants and contributions	27.4	25.3	2.1	1.8	-	1.8
Capital grants and contributions	141.7	148.1	(6.4)	-	-	-
General revenues:						
Grants and contributions	885.6	824.3	61.3	-	-	-
Revenue from the use of money	1.7	2.0	(0.3)	-	-	-
Other	5.6	5.4	0.2	0.1	-	0.1
Total revenues	1,080.4	1,022.8	57.6	1.9	-	1.9
EXPENSES						
Instruction:						
Regular	598.8	554.4	44.4	-	-	-
Special	142.4	129.2	13.2	-	-	-
Adult education	0.8	0.7	0.1	-	-	-
Other	1.4	2.4	(1.0)	-	-	-
Charter School	1.4	-	1.4	-	-	-
Support Services:						
Administration	22.0	19.8	2.2	-	-	-
Attendance and health	13.5	12.5	1.0	-	-	-
Pupil transportation	56.1	56.5	(0.4)	-	-	-
Facilities services	1.8	1.9	(0.1)	-	-	-
Operation and maintenance	82.3	73.4	8.9	-	-	-
School nutrition services	22.4	23.4	(1.0)	-	-	-
Technology	30.5	23.5	7.0	-	-	-
Middleburg Community Charter School	-	-	-	1.8	-	1.8
Interest on long-term debt	0.3	0.3	-	-	-	-
Total expenses	973.6	898.0	75.6	1.8	-	1.8
Special Item	(26.8)	-	(26.8)	-	-	-
Increase in net position	80.0	124.8	(44.8)	0.1	-	0.1
Net position, beginning of year, restated	630.9	1,289.4	(658.5)	-	-	-
Prior period adjustments	-	(783.3)	783.3	-	-	-
Net position, end of year	$ 710.9	$ 630.9	$ 80.0	$ 0.1	$ -	$ 0.1

Revenues

Revenues for LCPS' governmental activities totaled $1,080.4 million during the fiscal year 2015, representing an increase of $57.6 million over fiscal year 2014. The following table represents revenues by source for the fiscal years ended June 30, 2015 and 2014:

GOVERNMENTAL ACTIVITIES – REVENUES BY SOURCE
For the Fiscal Years Ended June 30



The events contributing to the increase in revenues during the fiscal 2015 were:

- Operating grants and contributions increased $2.1 million, or 8.3 percent, from fiscal year 2014. The increase was a result primarily of increased revenue for funds for technology ($2.8 million or 262.9 percent) and decreased funding for regular education and special education of $0.7 million or 4.2 percent.

- Capital grants and contributions decreased $6.4 million from fiscal year 2014 due to a decrease in revenue for construction from the County.

- From the previous fiscal year, LCPS received an increase of $61.3 million in general revenues – grants and contributions. LCPS received a 7.8 percent increase, or $44.1 million, in the contribution from the County. This contribution is LCPS' primary revenue source. Additionally, LCPS received increased general revenues from the Commonwealth of Virginia of $18.4 million or 7.1 percent from 2014. All other general revenues – grants and contributions decreased by $1.2 million from 2014.

Expenses

The following table compares the total program costs of each LCPS' program (or function) and the net cost of each program (total costs less fees generated by the program and program-specific intergovernmental aid) for the fiscal years ended June 2015 and 2014:

SUMMARY OF PROGRAM COSTS BY FUNCTION
For the Fiscal Years Ended June 30
(Dollars in Millions)

	Total Cost of Function			Net Cost (Revenue) of Function		
Function	**2015**	**2014**	**Percent Variance**	**2015**	**2014**	**Percent Variance**
Governmental Activities:						
Instruction:						
Regular	$ 598.8	$ 554.4	8.0%	$ 590.6	$ 548.1	7.7%
Special	142.4	129.2	10.2%	133.0	119.1	11.6%
Adult education	0.8	0.7	8.5%	0.3	0.2	0.0%
Other	1.4	2.4	-42.3%	1.3	0.6	112.4%
Charter school	1.4	-	100.0%	1.4	-	100.0%
Support Services:						
Administration	22.0	19.8	11.1%	22.0	19.7	11.7%
Attendance and health	13.5	12.5	8.0%	13.5	12.5	8.0%
Pupil transportation	56.1	56.5	-0.7%	56.1	56.4	-0.6%
Facilities services	1.8	1.9	-4.1%	(139.8)	(146.1)	4.3%
Operation and maintenance	82.3	73.4	12.1%	82.3	73.4	12.1%
School nutrition services	22.4	23.4	-4.2%	(1.1)	0.3	-466.1%
Technology	30.5	23.5	29.7%	26.6	22.5	18.1%
Interest on long-term debt	0.3	0.3	0.0%	0.3	0.3	-5.6%
Total expenses	$ 973.6	$ 898.0	8.4%	$ 786.2	$ 706.9	11.2%

The total costs of LCPS' programs for fiscal year 2015 were $973.6 million, which represents an increase of $75.6 million over fiscal year 2014. Some of the costs of governmental activities were paid by those who directly benefited from the programs ($18.3 million) and other government and organizations that subsidized certain programs with grants and contributions ($169.0 million).

As the chart indicates, regular instruction continues to be LCPS' largest function.

Regular instruction includes those activities and programs that are conducted during the regular instructional day for students attending kindergarten through 12th grade, with the exception of programs specifically designed to improve or overcome disabilities and programs intended for gifted and talented students. LCPS' second largest program, special instruction, includes those activities for students with special needs/services or programs for other types of students such as alternative education, Head Start, gifted and talented, and preschool programs.

Salaries and benefits make up 89.2 percent and 95.2 percent of regular and special instruction expenses, respectively. Regular instruction expenses increased $44.4 million and special instruction expenses increased $13.2 million from the prior fiscal year. There was also an increase in enrollment.

The majority of LCPS' functional areas required general revenues to cover their operational costs. In fiscal year 2015, the facilities services and school nutrition services functions were self-supporting with program revenues exceeding program costs by $139.8 million and $1.1 million respectively. The primary revenue source of facilities was general obligation bond proceeds from the County used for the construction, acquisition, or renovation of capital assets. The primary revenue source of school nutrition was charges for services.

Interest on LCPS' long-term debt remained at $.3 million for both the current and prior years.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, LCPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of LCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing LCPS' financing requirements. In particular, unassigned fund balance may serve as a useful measure of LCPS' net resources available for spending at the end of the fiscal year.

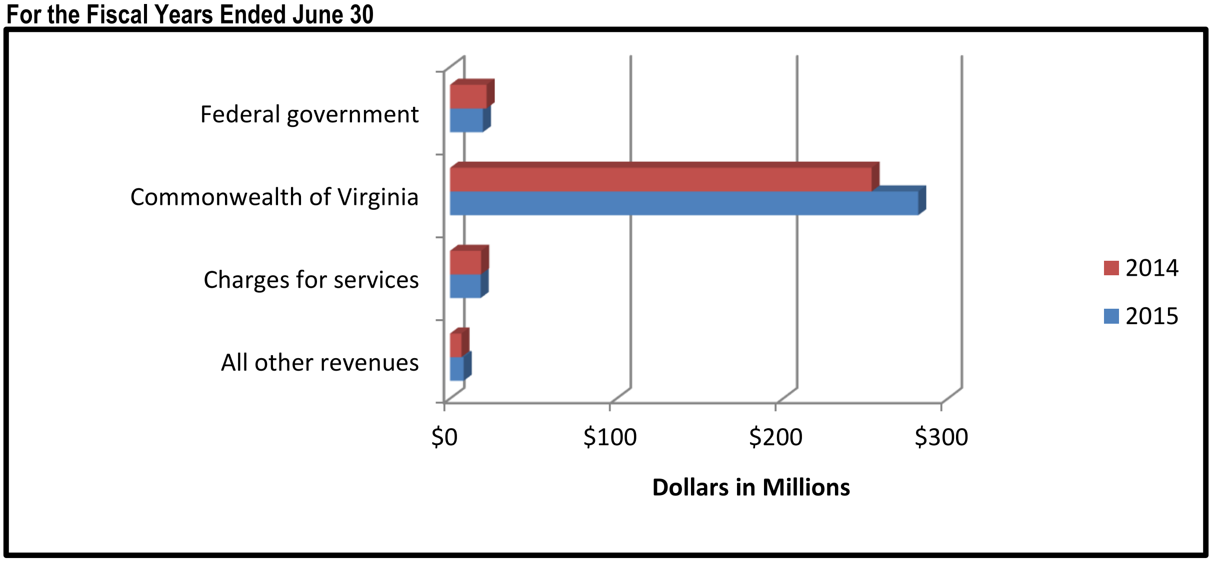
As of June 30, 2015, LCPS' governmental funds, reported a combined fund balance of $97.7 million, an increase of $19.8 million, compared to a decrease of $14.1 million at June 30, 2014.

Of the combined fund balance, approximately $.6 million was nonspendable and not available for future funding, $1.1 million was restricted by fiscal agents, $77.1 million was committed by various board actions, and $14.0 million was assigned to specific contractual and financial planning purposes.

The total revenues for governmental funds in fiscal year 2015 totaled $1,080.1 million, a 7.0 percent increase over fiscal year 2014. LCPS' primary source of revenue was intergovernmental (from the Federal government, State, and the County) and amounted to $1,053.7 million in fiscal year 2015, a 7.2 percent increase over fiscal year 2014. All other revenue sources (e.g., charges for services, and recovered costs) totaled $26.5 million, representing a decrease of 1.0 percent over the previous fiscal year.

The following table compares the total revenues by source for governmental funds (excluding revenue from the County and transfers in) for the fiscal years ended in June 30, 2015 and 2014:

REVENUES BY SOURCE (EXCLUDING COUNTY REVENUE AND TRANSFERS IN)
For the Fiscal Years Ended June 30

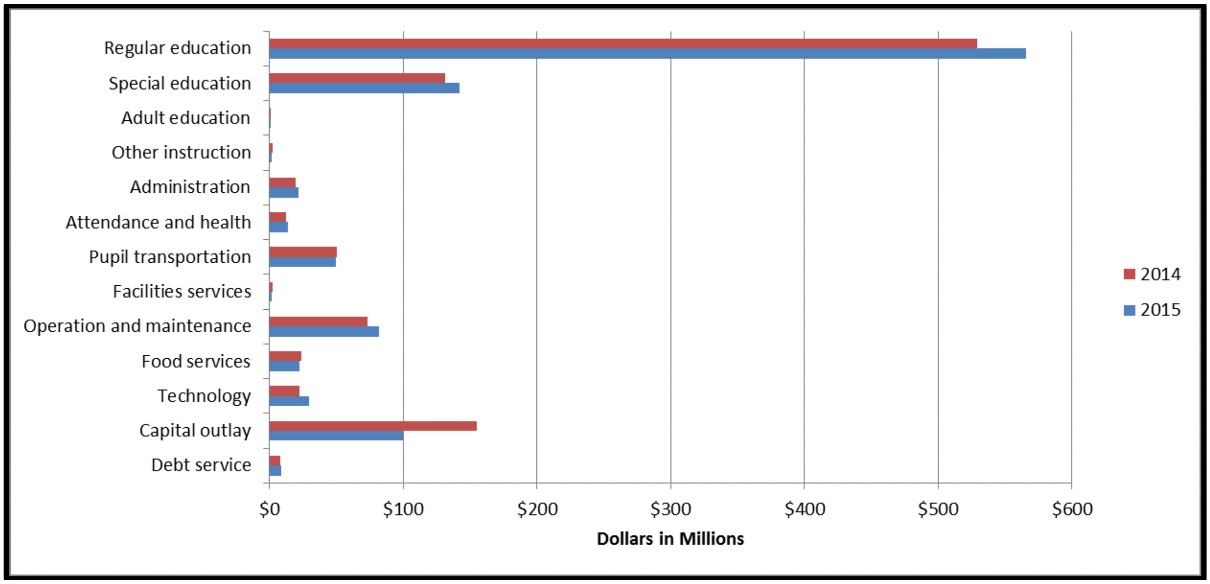


Several factors contributing to the net increase in total revenues during fiscal year 2015 include:

- Funding from the County increased $50.6 million from fiscal year 2014 to support general LCPS operations. This represents a 7.2 percent increase from fiscal year 2014.
- Revenue from the federal government decreased by $2.0 million.
- The State allocates one and three-eighths percent of the six percent State sales tax to run programs for school age children. Sales tax revenue increased $5.3 million. Other State revenue increased by $16.7 million from fiscal year 2014.
- LCPS received an additional $10.9 million for Basic Aid from the State, which is the primary component of the Standards of Quality (SOQ). The SOQ establishes standards for personnel, instructional materials, and system wide planning and management. In addition, the SOQ establishes performance objectives for the Virginia Board of Education and local school divisions.

The following table compares the expenditures (excluding transfers out) for each LCPS' functional area for the fiscal years ended June 30, 2015 and 2014:

EXPENDITURES BY FUNCTION (EXCLUDING TRANSFERS OUT)
For the Fiscal Years Ended June 30



Excluding other financing uses, the total expenditures for governmental funds for the fiscal year ended June 30, 2015 were $1,038.2 million, an increase of .8 percent over fiscal year 2014. Regular and special instruction continue to be LCPS' largest programs.

For the fiscal year ended June 30, 2015, regular instruction expenditures were $565.3 million in comparison to $529.3 million in fiscal year 2014. This represents an increase of $36.0 million, or 6.8 percent.

Special instruction expenditures amounted to $142.1 million, representing an increase of $11.1 million, or 8.5 percent. The majority of regular and special instruction expenditures were primarily attributed to salaries and benefits.

Regular and special instruction had a $47.1 million combined increase in expenditures in comparison to fiscal year 2014, due primarily to 1,610 additional students being educated, and three schools opening.

LCPS' third largest program, operations and maintenance, includes all activities concerned with keeping LCPS' buildings, grounds, and equipment in effective working condition. At the close of fiscal year 2015, expenditures totaled $81.6 million. Operations and maintenance costs increased by $8.2 million from the prior year.

Capital outlays for the total governmental funds decreased by $54.6 million. Capital outlay expenditures were $100.1 million compared to $154.7 million during fiscal year 2014.

The decrease of 35.3 percent from the prior year is due mainly to a decrease in projects under construction. Outlays included items such as the continuation of several large school renovation projects from the prior year and the purchase of additional school buses, equipment, classroom computers, and library materials, as well as new school construction.

Other factors accounting for expenditures during fiscal year 2015 include:

- Expenditures for pupil transportation decreased $.9 million, or 1.7 percent. This decrease represents a change in number of students transported and lower fuel costs.

- Administration, Attendance and Health, and Facilities services expenditures increased $2.1 million or 10.6 percent from fiscal year 2014.

- From fiscal year 2014, the technology program increased $6.9 million, or 30.5 percent.

The General Fund is the main operating fund of LCPS. In prior fiscal years, the General Fund included all lease purchase activities, but for fiscal year ended June 30, 2015, the activities of the 2015 lease purchases are reported separately as a special revenue fund (Lease Fund). For proper analysis, the following statements about the General Fund, excludes lease activities for the fiscal year ended June 30, 2014.

At the end of the current fiscal year, the fund balance was $15.6 million.

The General Fund's revenues increased $65.3 million, or 8.0 percent, from the previous fiscal year, while expenditures (excluding other financing uses) increased $47.7 million, or 5.7 percent.

The increase in revenues, the increase in expenditures, the changes to other financing sources and uses, and the special item resulted in a net decrease in fund balance of $23.1 million from the prior fiscal year.

The total fund balance at June 30, 2015, for the General Fund represents 15.9 percent of the total combined fund balance of all governmental funds.

The Capital Improvements Fund, which accounts for LCPS' major capital projects, ended the current fiscal year with $69.2 million fund balance. All but $.1 million of the fund balance is committed to fund next year's operations.

The Capital Improvement Fund's revenue of $132.4 million is a decrease of $2.8 million, or 2.1%, from the previous year. The expenditures of $95.9 million for fiscal year 2015 is a decrease of $52.0 million from fiscal year 2014, or 35.2 percent.

The decrease in revenues and the decrease in expenditures resulted in a net increase in fund balance of $36.5 million from the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The *Code of Virginia* requires the appointed Superintendent of LCPS to submit a budget to the County Board of Supervisors (BOS), with the approval of the School Board.

The Superintendent presents LCPS' proposed budget to the School Board in January. Then, the School Board conducts a series of public hearings and workshop sessions before adopting the advertised budget. The School Board's advertised budget is then forwarded to the County for inclusion in the County Executive's advertised budget. By early April, the BOS holds public hearings regarding the proposed budget and determines the amount of funding to be transferred to LCPS. The School Board then adopts the final budget.

The approved budget governs the financial operations of LCPS beginning on July 1 and is modified on an as needed basis as revenue sources and expenditure priorities change. LCPS' School Board approves all budget modifications.

During fiscal year 2015, the General Fund's final amended budget appropriations exceeded the original budgeted amounts by $7.1 million, or 0.1 percent of total revenues, and 0.1 percent of total expenditures. The increase to the appropriations represents contractual obligations that were incurred during fiscal year 2014 and re-appropriated during fiscal year 2015. Actual revenues exceeded the final amended budget by $3.5 million, while actual expenditures and transfers out were $17.4 million less than amended budget.

Of the $3.5 million excess revenue, sales tax exceeded budget by $1.5 million while the remaining variance of $2.0 million was from fees, use of money and property, and recovered costs.

The $17.4 million variance between actual and amended budget for expenditures was a result of savings in: pupil transportation of $6.6 million; operation and maintenance of $4.3 million; capital outlay of $2.7 million; and all other functions of $3.8 million.

The following table presents a summary comparison of the General Fund's original and final budgets with actual performance for the fiscal year ended June 30, 2015:

GENERAL FUND BUDGET AND ACTUAL COMPARISON
For the Fiscal Year Ended June 30, 2015
(Dollars in Millions)

	Original Budget	Final Budget	Actual	Variance from Final Budget
Total revenues	$ 882.1	$ 882.1	$ 885.5	$ 3.5
Total expenditures	(890.1)	(897.2)	(876.5)	20.7
Total other financing uses	(2.0)	(2.0)	(5.3)	(3.4)
Net change in fund balances	$ (10.0)	$ (17.1)	$ 3.7	$ 20.8

Actual revenues were more than final budgeted amounts by $3.5 million, while actual expenditures came in under budget by $20.7 million, or 2.3 percent.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

CAPITAL ASSETS

At June 30, 2015, LCPS' investment in capital assets for governmental activities totaled $2,024.6 million. Accumulated depreciation totaled $473.1 million resulting in capital assets, net of accumulated depreciation of $1,551.5 million. This represents a net increase in capital assets of $59.0 million, or 4.0 percent, over the prior year.

Major capital asset events during fiscal year 2015 included the following:

- LCPS acquired $4.9 million in equipment and machinery.
- Total capital asset disposals amounted to $4.7 million.
- LCPS recorded the completion of three schools and several renovation projects. Costs incurred during fiscal year 2015 amounted to $182.8 million.
- Costs associated with ongoing projects remained in construction in progress at the fiscal year end. These projects include cumulative construction expenditures of $95.5 million.
- Additional detailed information regarding LCPS' capital assets, including the current year's activity, can be found in notes I.G and III.E in the notes to the financial statements.

The following table summarizes capital assets as of June 30, 2015 and 2014:

NET CAPITAL ASSETS
As of June 30
(Dollars in Millions)

	Book Value (net of depreciation)*	
Capital Asset Category	**2015**	**2014**
Land	$ 148.3	$ 148.0
Construction in progress	90.9	178.3
Buildings	1,290.6	1,141.6
Machinery and equipment	21.1	24.4
Improvements other than buildings	0.7	0.2
Total	$ 1,551.5	$ 1,492.5

* Except for land and construction in progress.

LONG-TERM OBLIGATIONS

As of June 30, 2015, LCPS reported total outstanding debt of $911.7 million, compared to $995.8 million at June 30, 2014, restated. Of this amount, $749.4 million related to pension liability recorded as a result of new accounting rules implemented during 2015. $24.3 million related to capital leases.

LCPS' additions to capital leases related to $10.0 million for computers, vehicles and other equipment. The following is a summary of LCPS' gross outstanding long-term debt for governmental activities.

OUTSTANDING LONG-TERM DEBT
As of June 30
(Dollars in Millions)

	2015	**2014**
Compensated absences	$ 23.4	$ 21.8
Claims liabilities	15.5	14.2
OPEB obligations	99.1	100.8
Leases payable	24.3	23.1
Net pension liability	749.4	835.9
Total	$ 911.7	$ 995.8

Additional detailed information regarding LCPS' long-term obligations, including the current year's activity, can be found in notes I.H, I.I, I.M, III.H, IV.B, IV.C and IV.E in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

LCPS is challenged with an increasing enrollment. The student growth rate for general education is increasing at a rate of over 4%, but due to the general economic stagnation, LCPS faces challenges in meeting the educational needs of this increasing student population.

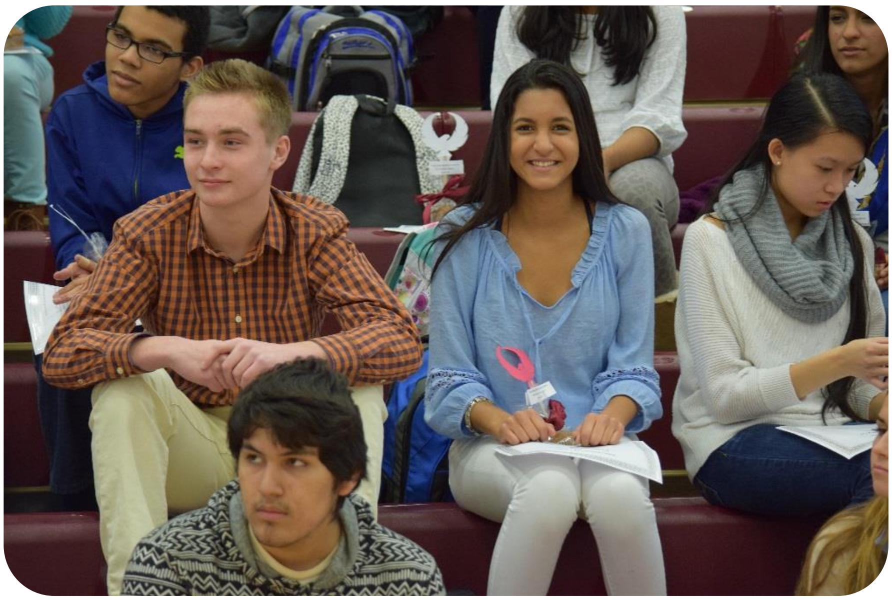
The primary source of revenue for LCPS comes from the County. The County's fiscal outlook for the upcoming year projects that the funding LCPS can expect to receive will be better than the past budget year. Loudoun County has experienced signs of a recovery from the recent recession and, therefore, LCPS is restoring operating programs that had been on hold during the recession. LCPS added no new programs in the fiscal year 2015 approved budget. The other major source of LCPS' revenues is driven by student enrollment, particularly in the area of State and Federal aid.

The fiscal year 2016 approved operating budget maintains existing programs that support LCPS' student achievement goals, allocates resources in support of LCPS' beliefs, and conserves fiscal resources. The approved operating budget includes a $69.8 million, or 7.7 percent, increase in expenditures over the fiscal year 2015 approved budget.

CONTACTING LCPS MANAGEMENT

This summary is designed to provide a general overview of the financial condition of LCPS. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Director of Financial Services, Department of Business and Financial Services, 21000 Education Court, Ashburn, Virginia, 20148, or by calling 571-252-1190. This CAFR can also be found on LCPS website at www.lcps.org.

Basic Financial Statements



The **Basic Financial Statements** subsection includes the government-wide statements, which incorporates the governmental activities of Loudoun County Public Schools and its component unit, in order to provide an overview of the financial position and results of operation for the reporting entity. This subsection also includes the fund financial statements and the accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit I

Statement of Net Position

June 30, 2015

	Primary Government		Component Unit		
	Governmental Activities		Middleburg Community Charter School		Total Reporting Entity
ASSETS					
Cash and cash equivalents	$	400	$	49,709	$ 50,109
Accounts receivable, net		5,170,012		-	5,170,012
Due from County		180,333,926		-	180,333,926
Due from other governmental units		18,849,641		62,385	18,912,026
Inventories		984,943		-	984,943
Prepaid items		201,346		4,410	205,756
Deposits		2,769,000		-	2,769,000
Restricted cash on deposit with others		5,085,409		-	5,085,409
Nondepreciable capital assets		239,185,479		-	239,185,479
Depreciable capital assets, net of depreciation		1,312,286,856		-	1,312,286,856
Total assets		1,764,867,012		116,504	1,764,983,516
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension		93,191,617		-	93,191,617
LIABILITIES					
Accounts payable		28,648,717		17,588	28,666,305
Accrued interest payable		258,111		-	258,111
Accrued liabilities		66,169,452		20,892	66,190,344
Due to agency fund		12,254,806		-	12,254,806
Due to component unit		62,385		-	62,385
Contract retainages		6,093,719		-	6,093,719
Other liabilities		867,618		-	867,618
Unearned revenues		3,820,535		-	3,820,535
Long-term liabilities:					
Due within one year:					
Compensated absences		3,630,983		-	3,630,983
Claims liabilities		14,826,757		-	14,826,757
Leases payable		9,214,448		-	9,214,448
Due in more than one year:					
Compensated absences		19,720,320		-	19,720,320
Claims liabilities		678,622		-	678,622
Net other postemployment benefits obligation		99,130,873		-	99,130,873
Leases payable		15,118,509		-	15,118,509
Net pension liability		749,391,607		-	749,391,607
Total liabilities		1,029,887,462		38,480	1,029,925,942
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension		117,226,083		-	117,226,083
NET POSITION					
Net investment in capital assets		1,532,224,787		-	1,532,224,787
Restricted for:					
Permanent fund-nonexpendable		29,406		-	29,406
Unrestricted		(821,309,109)		78,024	(821,231,085)
Total net position	$	710,945,084	$	78,024	$ 711,023,108

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit II

Statement of Activities

For the Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
					Primary Government	Component Unit	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Middleburg Community Charter School**	**Total Reporting Entity**
Primary Government:							
Instruction:							
Regular	$ 598,844,655	$ 2,319,185	$ 5,965,900	$ -	$ (590,559,570)		$ (590,559,570)
Special	142,401,177	-	9,436,485	-	(132,964,692)		(132,964,692)
Adult education	759,725	133,538	310,778	-	(315,409)		(315,409)
Other	1,383,824	109,335	-	-	(1,274,489)		(1,274,489)
Charter School	1,378,767	-	-	-	(1,378,767)		(1,378,767)
Total instruction	744,768,148	2,562,058	15,713,163	-	(726,492,927)		(726,492,927)
Support Services:							
Administration	21,995,247	-	-	-	(21,995,247)		(21,995,247)
Attendance and health	13,497,921	-	-	-	(13,497,921)		(13,497,921)
Pupil transportation	56,085,138	-	-	-	(56,085,138)		(56,085,138)
Facilities services	1,823,048	-	-	141,662,059	139,839,011		139,839,011
Operation and maintenance	82,258,524	-	-	-	(82,258,524)		(82,258,524)
School nutrition services	22,419,261	15,786,657	7,731,020	-	1,098,416		1,098,416
Total support services	198,079,139	15,786,657	7,731,020	141,662,059	(32,899,403)		(32,899,403)
Technology	30,487,363	-	3,916,612	-	(26,570,751)		(26,570,751)
Interest on long-term debt	283,289	-	-	-	(283,289)		(283,289)
Total Primary Government	$ 973,617,939	$ 18,348,715	$ 27,360,795	$ 141,662,059	$ (786,246,370)		$ (786,246,370)
Component Unit:							
Middleburg Community Charter School	$ 1,794,395	$ 9,597	$ 1,788,628	$ -		$ 3,830	$ 3,830
General revenues:							
Grants and contributions not restricted to specific purposes:							
Federal government					225,392	-	225,392
Commonwealth of Virginia					275,124,246	-	275,124,246
County of Loudoun, Virginia					610,280,440	-	610,280,440
Revenue from the use of money and property					1,729,089	4,312	1,733,401
Other					5,632,056	69,882	5,701,938
Total general revenues					892,991,223	74,194	893,065,417
Special Item (See Note IV.H.1)					(26,764,758)	-	(26,764,758)
Change in net position					79,980,095	78,024	80,058,119
Net position, beginning of year, restated (See Note IV.I.2)					630,964,989	-	630,964,989
Net position, end of year					$ 710,945,084	$ 78,024	$ 711,023,108

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit III

Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 200	$ -	$ 200	$ 400
Accounts receivable, net	3,059,426	250,129	212,194	3,521,749
Due from County	180,333,926	-	-	180,333,926
Due from other governmental units	12,195,341	-	6,654,300	18,849,641
Interfund receivables	-	94,584,547	15,972,829	110,557,376
Inventories	-	-	306,468	306,468
Prepaid items	201,346	-	-	201,346
Deposits	-	50,000	-	50,000
Restricted cash on deposit with others	647,714	-	4,437,695	5,085,409
Total assets	$ 196,437,953	$ 94,884,676	$ 27,583,686	$ 318,906,315
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 5,718,038	$ 15,208,102	$ 5,855,315	$ 26,781,455
Accrued liabilities	59,116,747	4,402,733	2,358,659	65,878,139
Interfund payables	102,861,215	-	2,541,614	105,402,829
Due to agency fund	12,254,806	-	-	12,254,806
Due to component unit	62,385	-	-	62,385
Contract retainages	-	6,093,719	-	6,093,719
Other liabilities	867,618	-	-	867,618
Unearned revenues	-	-	3,820,535	3,820,535
Total liabilities	180,880,809	25,704,554	14,576,123	221,161,486
Fund balances:				
Nonspendable:				
Inventories	-	-	306,468	306,468
Prepaid items and deposits	201,346	50,000	-	251,346
Permanent fund-nonexpendable	-	-	29,406	29,406
Restricted for:				
Restricted by legal agreement	647,714		429,222	1,076,936
Committed to:				
Subsequent years appropriations	-	-	2,389,128	2,389,128
Capital improvements	-	69,130,122	-	69,130,122
Capital asset preservation	-	-	5,584,142	5,584,142
Assigned to:				
General Fund contractual obligations	9,567,565	-	-	9,567,565
General Fund subsequent year appropriations	5,000,000	-	-	5,000,000
School Nutrition Services Fund	-	-	4,439,211	4,439,211
Unassigned	140,519	-	(170,014)	(29,495)
Total fund balances	15,557,144	69,180,122	13,007,563	97,744,829
Total liabilities and fund balances	$ 196,437,953	$ 94,884,676	$ 27,583,686	$ 318,906,315

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit IV

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015

Fund balances - total governmental funds		$ 97,744,829
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable capital assets	$ 239,185,479	
Depreciable capital assets	1,781,521,878	
Accumulated depreciation	(472,096,162)	
Total		1,548,611,195
Internal service funds are used by management to provide certain goods and services to governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
Assets:		
Current assets	$ 5,045,738	
Capital assets	3,821,185	
Accumulated depreciation	(960,045)	
Liabilities	(23,439,712)	
Total		(15,532,834)
Long-term liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (23,351,303)	
Net other postemployment benefits obligations	(99,130,873)	
Net pension liability	(748,770,396)	
Leases payable	(24,332,957)	
Accrued interest on long-term debt	(258,111)	
Total		(895,843,640)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for pension expense	$ 21,304,000	
Deferred outflows of resources for 2015 employer contributions	71,887,617	
Total deferred outlfows of resources	93,191,617	
Deferred inflows of resources related to pensions	(117,226,083)	
Total		(24,034,466)
Net position of governmental activities		$ 710,945,084

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit V

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Federal government	$ 225,392	$ -	$ 19,475,565	$ 19,700,957
Commonwealth of Virginia	275,310,575	-	6,712,313	282,022,888
County of Loudoun, Virginia	600,769,592	132,124,883	19,048,024	751,942,499
Charges for services:				
Tuition and fees	2,539,562	-	22,496	2,562,058
Food sales	-	-	15,786,657	15,786,657
Revenue from the use of money and property	1,717,382	-		1,717,382
Recovered costs	2,320,500	-	-	2,320,500
Other	2,661,725	250,000	1,179,579	4,091,304
Total revenues	885,544,728	132,374,883	62,224,634	1,080,144,245
EXPENDITURES				
Current:				
Instruction:				
Regular	559,192,068	-	6,098,726	565,290,794
Special	132,702,968	-	9,432,570	142,135,538
Adult education	451,885	-	302,758	754,643
Other	1,368,412	-	2,100	1,370,512
Support services:				
Administration	21,456,997	-	-	21,456,997
Attendance and health	13,464,276	-	-	13,464,276
Pupil transportation	49,434,502	-	-	49,434,502
Facilities services	1,802,538	21,713	-	1,824,251
Operation and maintenance	75,946,564	-	5,622,880	81,569,444
School nutrition services	301,563	-	22,048,220	22,349,783
Technology	18,569,783	-	10,914,928	29,484,711
Capital outlay	1,788,919	95,889,036	2,381,437	100,059,392
Debt service:				
Principal	-	-	8,738,395	8,738,395
Interest	-	-	264,102	264,102
Total expenditures	876,480,475	95,910,749	65,806,116	1,038,197,340
Excess (deficiency) of revenues over (under) expenditures	9,064,253	36,464,134	(3,581,482)	41,946,905
OTHER FINANCING SOURCES (USES)				
Capital leases and installment purchases	-	-	10,000,000	10,000,000
Transfers out	(5,346,761)	-	-	(5,346,761)
Total other financing sources (uses), net	(5,346,761)	-	10,000,000	4,653,239
SPECIAL AND EXTRAORDINARY ITEMS				
Special Item (See Note IV.H.1)	(26,764,758)	-	-	(26,764,758)
Net change in fund balances	(23,047,266)	36,464,134	6,418,518	19,835,386
Fund balances at beginning of year, restated (See Note IV. I.1)	38,604,410	32,715,988	6,589,045	77,909,443
Fund balances at end of year	$ 15,557,144	$ 69,180,122	$ 13,007,563	$ 97,744,829

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2015

Net changes in fund balances - total governmental funds		$ 19,835,386
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is expensed over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 100,059,392	
Depreciation expense	(41,166,863)	
Total		58,892,529
Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		267,560
Gains and losses on the disposal of capital assets are reported in the Statement of Activities. However, in governmental funds, the proceeds from sales are reported. The difference is the net depreciated value of the disposed capital assets.		11,707
Principal payments on capital leases are reported as expenditures in governmental funds. However, the principal payments reduce the liabilities in the Statement of Net Position and do not result in expenses in the Statement of Activities.		8,738,395
Proceeds from the issuance of long-term debt are reported as other financing sources in the governmental funds, increasing fund balance. In the government-wide statements, new debt increases long-term liabilities in the Statement of Net Positon and does not affect the Statement of Activities. This represents principal amounts of new capital leases.		(10,000,000)
In the Statement of Activities, certain operating expenses (OPEB, pensions, and compensated absences) are measured by the amounts earned during the current year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
OPEB		1,725,087
Compensated absences		(1,568,037)
Pensions:		
Pension contributions	$ 71,481,011	
Cost of benefits earned net of employee contributions	(65,337,879)	6,143,132
Internal service funds are used by management to charge the costs of certain services to individual funds. Activities of the internal service funds are reported with governmental activities.		(4,046,477)
Interest on capital leases is reported as expenditures in the governmental funds when it is due. However, in the Statement of Activities, interest is expensed as it accrues. This amount represents the net change in accrued interest on long-term debt.		(19,187)
Change in net position of governmental activities		$ 79,980,095

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VII

Statement of Net Position
Proprietary Funds
June 30, 2015

		Internal Service Funds
ASSETS		
Current assets:		
Accounts receivable, net	$	1,648,263
Inventories		678,475
Deposits		2,719,000
Total current assets		5,045,738
Noncurrent assets:		
Capital assets:		
Buildings		3,238,924
Machinery and equipment		582,261
Accumulated depreciation		(960,045)
Total noncurrent assets		2,861,140
Total assets		7,906,878
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		406,606
LIABILITIES		
Current liabilities:		
Accounts payable		1,867,262
Accrued liabilities		291,313
Interfund payables		5,154,547
Claims liabilities		14,826,757
Total current liabilities		22,139,879
Noncurrent liabilities:		
Claims liabilities		678,622
Net pension liability		621,211
Total noncurrent liabilities		1,299,833
Total liabilities		23,439,712
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		763,736
NET POSITION		
Invested in capital assets		2,861,140
Unrestricted		(18,751,104)
Total net position	$	(15,889,964)

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VIII

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Internal Service Funds
OPERATING REVENUES	
Charges for services	$ 159,011,697
Use of property	38,017
Total operating revenues	159,049,714
OPERATING EXPENSES	
Claims	140,594,676
Personnel services	6,623,984
Other services and charges	10,245,645
Materials and supplies	10,824,538
Depreciation	152,509
Total operating expenses	168,441,352
Net operating loss	(9,391,638)
NONOPERATING REVENUES	
Loss on sale of capital assets	(1,600)
Net loss before operating transfers	(9,393,238)
Transfers in	5,346,761
Change in net position	(4,046,477)
Net position at beginning of year, restated (Note IV.I.3)	(11,843,487)
Net position at end of year	$ (15,889,964)

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit IX

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 157,777,278
Receipts from interfund services	5,154,547
Payments to suppliers for goods and services	(22,470,101)
Claims paid	(139,338,031)
Payments to employees	(6,804,512)
Net cash used in operating activities	(5,680,819)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	5,346,761
Net cash provided by noncapital financing activities	5,346,761
Net decrease in cash on deposit with the County	(334,058)
Cash on deposit with County at beginning of year	334,058
Cash at end of year	$ -

Reconciliation of Net Operating loss to Net Cash Used in Operating Activities:

NET OPERATING LOSS	$ (9,391,638)
ADJUSTMENTS NOT AFFECTING CASH	
Depreciation	152,509
(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES	
Accounts receivable, net	(1,272,436)
Inventories	(51,084)
Prepaid items	(479,000)
Accounts payable	989,205
Accrued liabilities	(1,859,039)
Interfund payables	5,154,547
Claims liabilities	1,256,645
Net pension liability	(180,528)
Total adjustments	3,710,819
Net cash used in operating activities	$ (5,680,819)

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit X

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Other Postemployment Benefits Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 6,640,699
Investments at fair value-investments in pooled funds	104,705,450	-
Due from General Fund	-	12,254,806
Total assets	$ 104,705,450	$ 18,895,505
LIABILITIES		
Accounts payable	$ -	$ 12,254,806
Collections held in trust	-	6,640,699
Total liabilities	-	$ 18,895,505
NET POSITION		
Held in trust for other postemployment benefits	$ 104,705,450	

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XI

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions:	
Employer	$ 24,740,087
Total contributions	24,740,087
Investment income:	
Interest	13,036
Net appreciation in investments	1,285,346
Investment management fees	(74,566)
Total investment income	1,223,816
Total additions	25,963,903
DEDUCTIONS	
Benefit payments	12,149,177
Administrative payments	590,910
Total deductions	12,740,087
Changes in net position	13,223,816
Net position at beginning of year	91,481,634
Net position at end of year	$ 104,705,450

See accompanying notes to the financial statements.

Notes to the Financial Statements

Loudoun County Public Schools
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loudoun County Public Schools (LCPS) is a corporate body operating under the constitution of the Commonwealth of Virginia (State) and the *Code of Virginia*. The nine voting members of the School Board are elected by the citizens of the County of Loudoun, Virginia (County) to serve four-year terms. Each of the County's eight magisterial districts has a member who represents its constituents. There is one at-large member and a non-voting student member selected by a countywide student advisory council to serve a one-year term. The School Board is responsible for setting the educational policies of LCPS and appoints a Superintendent to implement them. In addition, the Superintendent is responsible for administering the operations, supervising personnel, and advising the School Board on all educational matters for the welfare and benefit of the students.

A. REPORTING ENTITY

A reporting entity is comprised of its Primary Government and component units. To justify inclusion as a component unit, a financial dependency alone no longer requires inclusion, but a financial benefit or burden relationship must also exist. Accordingly, Middleburg Community Charter School (MCCS) meets those criteria as a component unit of LCPS. MCCS also meets the requirement of a discretely presented component unit and is included as such for fiscal year ended June 30, 2015, its first year of operation.

MCCS is a public school which will provide the children of Loudoun County an SOL based, academically rigorous, art and music enhanced, integrated curriculum. A separately issued financial report can be obtained by writing to:

Middleburg Community Charter School
101 N. Madison Street
Middleburg, VA 20177

LCPS' Primary Government includes all of its departments, boards, and associated agencies that are not legally separate. LCPS is a component unit of the County because it approves the budget for, issues debt on behalf of, and is the primary funding source for LCPS.

B. BASIS OF FINANCIAL STATEMENT PRESENTATION AND FUND ACCOUNTING

LCPS' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles for state and local governments.

The basic financial statements consist of the government-wide statements, including the Statement of Net Position and the Statement of Activities; fund financial statements, which provide more detailed financial information; and notes to the financial statements, which provide detailed narrative information.

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements, the Statement of Net Position and the Statement of Activities, present financial information, about LCPS as a whole. These statements include the financial activities of LCPS' Primary Government and its component unit, MCCS, except for the fiduciary activities because LCPS cannot use those assets to finance its operations. The activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses. In accordance with GAAP reporting requirements, activities are reported in these statements as either governmental or business-type. Primary activities of LCPS and its component unit are categorized solely as governmental.

The Statement of Net Position presents the overall financial condition of LCPS and its component unit at year-end. The net position balance is an indication of LCPS' ability to cover its costs and continue to provide services in the future. The Statement of Activities reports the expenses and revenues of LCPS and its component unit in a format that focuses on the cost of each of LCPS' major programs/functions and those of its component unit.

The net revenue and expense indicates whether the function is self-supporting or relies on general revenue funding sources. The direct expenses are those that are clearly identifiable to particular functions.

LCPS includes centralized expenses, which includes an administrative overhead component as program expenses within the functional activities. The allocation of these costs is based on a ratio of a function's expenses to the total expenses.

Program revenues include: (1) charges for services (e.g., tuition and fees), (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not directly related to a program are reported as general revenues. These include LCPS' portion of property tax revenues, which are received as payments from the County, as well as certain other unrestricted amounts received from the State and the Federal government.

2. FUND FINANCIAL STATEMENTS

LCPS reports three classifications of funds: governmental, proprietary, and fiduciary. Separate financial statements are provided for each classification. The General Fund is always reported as a major fund. The Capital Improvements Fund is also presented as a major fund since it represents a significant portion of LCPS' financial position and results of operation. All other governmental funds are aggregated in a single column entitled, "Nonmajor Governmental Funds".

The Internal Service Funds are aggregated in a single column entitled, "Internal Service Funds".

LCPS has three fiduciary funds: Other Postemployment Benefits (OPEB) Trust Fund, Agency Fund-Payroll Liabilities Distribution, and Agency Fund-School Activity in the fiduciary fund statements.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Each fund reports cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein.

LCPS added a new Lease Fund-Special Revenue Fund during the fiscal year. The activities of the Lease Fund were part of the General Fund in prior years and had no beginning fund balance for the fiscal year ended June 30, 2014, so no impact on beginning fund balance as presented in the Statement of Revenues, Expenditures, and Change in Fund Balances.

LCPS reports the following major governmental fund types:

- **General Fund**—The General Fund is LCPS' primary operating fund, which accounts for all financial resources, except those required to be accounted for in another fund.

- **Capital Improvements Fund**—The Capital Improvements Fund tracks LCPS' financial transactions used for the acquisition, construction or renovation of school sites, buildings, and other major capital improvements.

LCPS reports the following nonmajor governmental fund types:

- **Special Revenue Funds—**Special revenue funds are used to account for proceeds of specific revenue sources, other than major Capital Improvements, in which expenditures are restricted for a specified purpose.

  The Lease Fund accounts for lease proceeds used to purchase specific vehicles, technology and other machinery and equipment. The School Nutrition Services Fund accounts for sales proceeds from the school cafeterias. The Grant Fund accounts for federal and state grant proceeds used for educational purposes.

- **Capital Asset Preservation Fund—**The Capital Asset Preservation Fund tracks LCPS' financial transactions used for the replacement and maintenance of major systems of LCPS' facilities.

- **Debt Service Fund—**The Debt Service Fund is used to account for the resources accumulated and payments made for principal, interest, and related costs on long-term debt of governmental funds.

- **Permanent Fund—**The Peabody Trust Fund is used to account for monies provided through a private donor, the corpus of which is nonexpendable. The interest earned on fund assets may be used only for school expenses.

LCPS reports the following additional fund types:

- **Internal Service Funds**—Internal Service Funds are proprietary funds, which account for the financing of goods and services provided by one department to other departments within LCPS on a cost reimbursement basis.

  The Central Service Fund accounts for the financing of goods or services of the fleet management services.

  The Self Insurance Fund accounts for the transactions associated with the comprehensive health benefits self-insurance program, the workers' compensation insurance program, and the disability self-insurance program.

- **OPEB Trust Fund—**The OPEB Trust Fund is a fiduciary fund, which accounts for monies collected and disbursed in connection with other post-employment benefits provided to LCPS' retirees.

- **Agency Funds—**The Payroll Liabilities Distribution Fund is a fiduciary fund, which accounts for monies collected and disbursed in connection with employee payroll liabilities.

  The Student Activity Fund is a fiduciary fund, which accounts for monies collected and disbursed at schools in connection with student athletics, classes, club accounts, various fund raising activities, and private donations. These monies are only available to support student programs at their respective schools and not for LCPS as a whole.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are shown in the Statement of Net Position; therefore, the non-current assets (i.e., land, buildings, improvements, and other capital assets) as well as the long-term liabilities (i.e., compensated absences, capital lease liabilities, OPEB obligations, pension obligations, and actuarial claims payable) are included in this statement.

Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. The Statement of Activities demonstrates the degree to which expenses are offset by program revenues for a specific program or function of LCPS.

Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Grants and contributions from the County, the State, and the Federal Government, which are not restricted for specific purposes, are presented as general revenues. In addition, revenue from the use of money is presented as general revenues. The effect of interfund revenue has been eliminated from these statements.

2. FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included on the Balance Sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources.

Revenues are recorded in the fiscal year in which the resources are measurable and expected to be collected by fiscal year-end or sixty days thereafter to be used to pay current liabilities. Non-exchange transactions, where LCPS either gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Expenditures are reported in the fiscal year when the related fund liability is incurred, except that certain general long-term obligations, such as compensated absences, are recognized only to the extent they have matured.

Depreciation expense, which is an allocation of cost, is not recorded in the governmental funds.

Since the governmental fund statements are prepared on a different measurement focus than the government-wide statements, reconciliations are presented, which detail the differences.

Proprietary funds are reported using economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund, net position, is segregated into unrestricted and invested in capital assets.

The proprietary funds' operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The operating revenues are charges for services provided to other departments on a cost reimbursement basis; the costs to provide these services are reported as operating expenses. For services which extend over more than one fiscal period, such as insurance, the change in actuarially determined insurance liability from one year to the next is reported as an operating expense. Non-operating revenues in the proprietary funds are generated from the sale of capital assets. The Statement of Cash Flows presents the cash inflows and outflows of the proprietary activities.

The fiduciary funds use the economic resources measurement focus. Agency funds have no measurement focus and reports only assets and related liabilities.

D. UNEARNED REVENUES

Unearned revenues are liabilities of resources obtained prior to revenue recognition. This includes resources received in advance of an exchange transaction, resources received in advance in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when eligibility requirements other than time requirements have not been met, and resources received in advance in relation to derived tax revenue nonexchange transaction.

E. CASH AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent available cash in the respective accounts.

In the General Fund, petty cash was held for small purchases; in the School Nutrition Service Fund, a change fund was held to be used for making change in various cafeterias; in the Student Activity Fund, cash and cash equivalents represent available cash in the local school accounts and include deposits in checking and savings accounts, and certificate of deposit.

Cash and cash equivalents in the Middleburg Community Charter School represent available cash held for operations.

2. RESTRICTED CASH AND INVESTMENTS AT FAIR VALUE

Investments at fair value in the Statement of Fiduciary Net Position represents cash and investments held by the Virginia Pooled OPEB Trust Fund sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACO).

Restricted cash on deposit with others are liquid assets that have third-party limitations on their use. LCPS reports restricted cash on deposit with others in the General Fund and the Lease Fund, which represents unspent amounts from lease proceeds.

F. INVENTORIES, PREPAID ITEMS AND DEPOSITS

Inventories are valued at cost, using the average cost method. The consumption method of accounting for inventory is used in the government-wide statements as well as in the proprietary fund statements. Under this method, inventory items are comprised of expendable supplies and are expensed as they are consumed.

Certain payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method of accounting for prepaid items is used in the government-wide statements as well as in the proprietary fund statements. Prepaid items in the governmental funds are recorded as nonspendable fund balance.

Deposits represent funds paid out to demonstrate intent to complete future transactions.

LCPS deposited $340,000 to its workers' compensation third party administrator and $2,379,000 to its health insurance third party administrator for future claim transactions. LCPS has a land deposit of $50,000 held by a third party for the future purchase of land.

G. CAPITAL ASSETS

Capital assets are reported in the government-wide Statement of Net Position and include land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded at acquisition cost or if that is not available, at estimated historical cost. Donated assets, generally, are recorded at their fair market value at the time of receipt.

All LCPS' capital assets, except land and construction in progress, are depreciated or amortized. Accumulated depreciation/amortization is reported as a reduction to the capital assets.

The straight-line depreciation method is used over the following estimated useful lives:

Capital Assets	Useful lives (Years)
Buildings	45
Building Improvements	15-25
Infrastructure	20-60
Vehicles	5
Office Equipment	5-10
Computer Equipment	5

In addition, intangible assets are reported as capital assets in the government-wide Statement of Net Position and include easements and developed software.

Permanent easements are not amortized and are reported as land assets. Temporary easements are amortized over a 20-year period or the life of the easement, whichever is less and reported as infrastructure. Developed software is amortized over a five-year period.

The Middleburg Community Charter School reported no capital assets for fiscal year ended June 30, 2015.

H. COMPENSATED ABSENCES AND ACCRUED SALARIES AND BENEFITS

LCPS employees, other than teachers, earn vacation pay based on a prescribed formula depending on years of service. Eligible employees are allowed to accumulate a maximum of 480 hours of vacation leave as of the end of each fiscal year. Any excess vacation hours are converted to sick leave. Accumulated vacation leave will be paid upon employment separation. Teachers do not accumulate annual leave. As of June 30, 2015, $12,659,010 of accumulated vacation leave was accrued as compensated absences.

Additionally, all LCPS employees, with ten or more years of service are compensated for a portion of earned, but unused sick leave upon employment separation to a maximum amount of $15,372 per individual. As of June 30, 2015, $10,692,293 of unused sick leave was accrued as compensated absences.

LCPS' accrued liabilities include salaries and benefits from employees who retired or resigned during the fiscal year, and have not received payment for their accrued annual leave. In addition, salary and fringe benefits that were incurred during the fiscal year, but not paid, were accrued as a fund liability. The Middleburg Community Charter School reported no compensated absences on June 30, 2015.

I. PAYABLES, ACCRUED LIABILITIES, AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements as well as in the proprietary fund financial statements.

These obligations are segregated between current and long-term; however, in the government-wide financial statements, the long-term obligations are further divided between those due within one year and those due beyond one year.

Payables and accrued liabilities that will be paid from current financial resources are reported as obligations of the funds. Certain long-term obligations, such as claims and judgments and compensated absences, due for payment in the next fiscal year, are recorded as liabilities of the governmental funds.

Capital lease payments are recorded as they are due in the governmental funds and no liability is reported at fiscal year end.

Pension obligations reported deferred outflows of resources and deferred inflows of resources related to pensions and are reported at fiscal year-end.

OPEB obligations are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits.

The unfunded actuarial accrued liability and the total future cost of postemployment benefits are reported at fiscal year-end.

J. NET POSITION

Net position represents the difference between assets and liabilities. In the government-wide and proprietary fund financial statements, LCPS' net position and that of its component unit, falls into three categories: net investment in capital assets, restricted, and unrestricted. The first category represents the portion of net position related to capital assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations to acquire these assets.

The restricted net position represents the portion of net position that is legally restricted to be used for the nonexpendable portion ($29,406) of the permanent fund.

The unrestricted category represents the remaining amount of net position that may be used to meet LCPS' ongoing programs.

K. FUND BALANCE

For governmental funds only, a five-tier fund balance classification hierarchy that depicts the extent to which LCPS is bound by spending constraints imposed on the use of its resources has been adopted in accordance with GAAP.

The five classifications, discussed in more detail below, are:

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

1. NONSPENDABLE FUND BALANCE

The nonspendable fund balance classification reflects amounts that are not in spendable form. Inventories and prepaid items are included in the nonspendable fund balance, as well as the Peabody Trust Fund's corpus balance.

2. RESTRICTED FUND BALANCE

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

3. COMMITTED FUND BALANCE

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by a School Board resolution, which can only be removed by School Board motion.

4. ASSIGNED FUND BALANCE

The assigned fund balance classification reflects amounts that the School Board *intends* to be used for specific purposes. Assignments may be established either by the School Board or by the Superintendent, and are subject to neither the restricted nor the committed levels of constraint.

The assignment of fund balance is authorized by Board resolution for subsequent year appropriations and by Board policy for assignment of contractual obligations.

5. UNASSIGNED FUND BALANCE

In the General Fund, the Unassigned Fund Balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund.

However, deficits in any fund, including the General Fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

6. FLOW ASSUMPTION

For the purpose of fund balance classification, LCPS considers restricted amounts spent first, when an expenditure is incurred for which both restricted and unrestricted fund balance is available.

Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

L. ENCUMBRANCES

LCPS uses encumbrance accounting where purchase orders, contracts, and other commitments for the expenditure of funds are recorded.

Encumbrances represent the estimated amount of expenditures to result if the open purchase orders and unfinished contracts were completed.
The appropriations of any funds encumbered at the end of the fiscal year carries over into the next fiscal year.

Following are the encumbrances as of June 30, 2015:

General Fund	$	9,567,565
Capital Improvements Fund		92,003,080
Nonmajor funds (aggregate)		2,238,272
Total Governmental Funds	$	103,808,917

M. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LCPS' retirement plans and the additions to/deletions from LCPS' retirement plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). 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.

N. USE OF ESTIMATES

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

O. TAX STATUS

LCPS, as a local school district, is not subject to federal, state, or local income taxes, and accordingly, no provision for income taxes is recorded.

P. NEW PRONOUNCEMENTS

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27* in June 2012. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2014. Management has implemented this Statement and has changed all applicable statement presentations.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68* in November 2013.

The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2014. Management has implemented this Statement and has changed all applicable statement presentations.

The GASB issued Statement No. 72, *Fair Value Measurement and Application* in February 2015. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2015. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2016. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2016. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2017. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in June 2015. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2015. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2015. Management is in the process of completing their assessment of the impact of these requirements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following reconciliations accompany the governmental fund statements:

- **Reconciliation of the Balance Sheet to the Statement of Net Position –** This reconciliation explains the differences between total fund balances as reflected on the governmental funds' Balance Sheet and net position for governmental activities as shown on the government-wide Statement of Net Position.

- **Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities –** This reconciliation explains the differences between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances and the change in net position for governmental activities as shown on the government-wide Statement of Activities.

The reconciling differences are a result of the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

III. DETAILED NOTES TO ALL FUNDS

A. BANK DEPOSITS AND INVESTMENTS

LCPS' cash balances in all funds, except for fiduciary funds and petty cash/change accounts, are held by the County and are invested to the extent available by the County Treasurer and according to County policy. Please refer to the County of Loudoun's Comprehensive Annual Financial Report at www.loudoun.gov/cafr for detailed investment policy. These balances are reflected as amounts Due from County in the financial statements.

1. CASH AND CASH EQUIVALENTS

The general fund holds $200 petty cash on June 30, 2015 for small purchases on an emergency basis. The School Nutrition Services Fund holds $200 as a change fund for its summer feeding program on June 30, 2015.

Cash and temporary investments related to MCCS are all highly liquid cash and cash equivalents. MCCS had $49,709 cash and cash equivalents on June 30, 2015.

Cash and temporary investments related to the School Activity Funds are all highly liquid cash and cash equivalents. School Activity Funds reported $6,640,699 cash and cash equivalents on June 30, 2015.

2. RESTRICTED CASH ON DEPOSIT WITH OTHERS

Restricted cash on deposit with others represents unspent lease proceeds held by third parties.

The General Fund reported $647,714 on June 30, 2015 as restricted cash on deposit with others, which represents unspent lease proceeds from its 2014 borrowings. In addition, the lease fund reported $4,437,695 on June 30, 2015 as restricted cash on deposit with others, which represents unspent lease proceeds from its 2015 borrowings.

3. INVESTMENTS AT FAIR VALUE

LCPS' OPEB trust fund participates in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The Board of Trustees of the Virginia Pooled OPEB Trust establishes investment objectives; risk tolerance, and asset allocation policies in light of market and economic conditions.

At June 30, 2015 LCPS' share in this pool was $104,705,450 as reported on Exhibit X.

B. DUE FROM INTERGOVERNMENTAL UNITS

Amounts due from the Federal government are attributed primarily to the Individuals with Disabilities Education Act (IDEA) grant and to the Title I, II and III grants in the Grant Fund. IDEA is designed to ensure that all school age handicapped children are provided a free, appropriate public education. Title I, II, and III programs enhance the instruction for disadvantaged children.

A significant portion of the receivable from the State in the General Fund was attributed to State sales taxes due to LCPS. The Virginia Retail Sales and Use Tax Act require one and one-eighth cent of every five cents collected in State sales tax to be distributed to school divisions based on school-age population.

Amounts due from other governments at June 30, 2015 are as follow:

Fund	Federal Government	Commonwealth of Virginia	Total
General Fund	$ -	$ 12,195,341	$ 12,195,341
Nonmajor Governmental Funds	2,601,142	4,053,158	6,654,300
Total	$ 2,601,142	$ 16,248,499	$ 18,849,641

C. INTERFUND RECEIVABLES AND PAYABLES

All receipt and disbursement transactions for LCPS flow through its general fund thereby creating interfund receivables and payables between funds.

The purpose of interfund balances is to present transactions that are to be repaid between funds at year end. Cash for the governmental and proprietary funds are held by the County as "Due from the County" in the General Fund.

The composition of interfund receivables and payables balances as of June 30, 2015 are as follows:

Fund		Interfund Receivables		Interfund Payables
General Fund	$	-	$	102,861,215
Capital Improvements Fund		94,584,547		-
Lease Fund		-		895,392
School Nutrition Services Fund		6,164,088		-
Grant Fund		-		1,646,222
Capital Asset Preservation Fund		7,390,207		-
Debt Service Fund		2,389,128		-
Peabody Trust Fund		29,406		-
Proprietary Funds		-		5,154,547
Total	$	110,557,376	$	110,557,376

D. INTERFUND TRANSFERS

The primary purpose for interfund transfers is to provide funding for LCPS' central garage and self-insurance activities within the internal service funds.

The breakdown of interfund transfers for the fiscal year ended June 30, 2015 was as follows:

Fund		Transfers In		Transfers Out
General Fund	$	-	$	5,346,761
Internal Service Funds		5,346,761		-
Total	$	5,346,761	$	5,346,761

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2015 was as follows:

Governmental Activities		Balance June 30, 2014		Increases		Decreases		Balance June 30, 2015
Non-depreciable capital assets:								
Land	$	148,036,489	$	221,800	$	-	$	148,258,289
Construction in progress		178,236,426		95,484,777		(182,794,013)		90,927,190
Total non-depreciable capital assets		326,272,915		95,706,577		(182,794,013)		239,185,479
Depreciable capital assets								
Building		1,469,474,609		182,078,325		-		1,651,552,934
Machinery and equipment		131,942,557		4,859,196		(4,689,559)		132,112,194
Improvements other than buildings		1,199,947		476,867		-		1,676,814
Infrastructure		1,121		-		-		1,121
Total depreciable capital assets		1,602,618,234		187,414,388		(4,689,559)		1,785,343,063
Accumulated depreciation:								
Buildings		(327,928,033)		(33,074,071)		-		(361,002,104)
Machinery and equipment		(107,541,370)		(8,047,494)		4,547,159		(111,041,705)
Improvements other than buildings		(966,848)		(45,242)		-		(1,012,090)
Infrastructure		(252)		(56)		-		(308)
Total accumulated depreciation		(436,436,503)		(41,166,863)		4,547,159		(473,056,207)
Depreciable capital assets, net		1,166,181,731		146,247,525		(142,400)		1,312,286,856
Total capital assets, net	$	1,492,454,646	$	241,954,102	$	(182,936,413)	$	1,551,472,335

Governmental activities capital assets, net of accumulated depreciation, at June 30, 2015 are comprised of the following:

General capital assets, net	$	1,548,611,195
Internal Service Fund capital assets, net		2,861,140
Total capital assets, net	$	1,551,472,335

Depreciation was charged to governmental programs/functions as shown:

Governmental Activities		Depreciation Expense
Instruction:		
Regular	$	33,173,194
Special Education		78,915
Support services:		
Administration		547,193
Attendance and health		501
Pupil transportation		5,790,655
Facilities		10,432
Operation and maintenance		433,607
Food services		1,639
Technology		978,218
In addition, depreciation expense on capital assets held by the internal service funds is charged to pupil transportation.		152,509
Total	$	41,166,863

F. DEFERRED OUTFLOWS

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 the resources (expenditures) until the future period. At June 30, 2015, LCPS had deferred outflows relating to pensions in the amount of $93,191,617.

G. DEFERRED INFLOWS

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2015, LCPS had deferred inflows relating to pensions in the amount of $117,226,083.

H. LONG-TERM OBLIGATIONS

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of governmental activities.

Compensated absences, capital leases, OPEB obligations, and net pension obligations are generally liquidated from the governmental funds. The following is a summary of changes in the long-term obligations of LCPS for the year ended June 30, 2015:

Governmental Activities	Balance June 30, 2014*	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated absences	$ 21,783,266	$ 4,266,398	$ 2,698,361	$ 23,351,303	$ 3,630,983
Claims liabilities	14,248,734	141,851,321	140,594,676	15,505,379	14,826,757
Leases payable	23,071,352	10,000,000	8,738,395	24,332,957	9,214,448
OPEB obligations	100,855,960	23,015,000	24,740,087	99,130,873	-
Net pension obligations	835,886,908	86,867,957	173,363,258	749,391,607	-
Total	$ 995,846,220	$ 266,000,676	$ 350,134,777	$ 911,712,119	$ 27,672,188

***Net pension obligations were restated for June 30, 2014 for implementation of GASB Statement 68.44**

1. CAPITAL LEASES

LCPS entered into capital lease agreements for school buses, other vehicles, computers and telecommunications equipment.

The capital leases for this equipment include the following minimum annual lease payments as of June 30, 2015:

Year Ending June 30,	Principal	Interest
2016	$ 9,214,448	$ 275,601
2017	7,521,562	168,748
2018	5,051,964	86,035
2019	2,544,983	30,591
Total lease payable	$ 24,332,957	$ 560,975

The following schedule lists the capital leases at June 30, 2015 by individual items:

Date Issued	Final Maturity	Interest Rate	Issue Amount	Balance at June 30, 2015	Type of Project Financed (the assets acquired secured the related capital lease)
7/20/2011	7/20/2015	1.40%	$ 7,000,000	$ 1,782,381	$1.5M for vehicles; $5.5M for computers
8/27/2012	8/27/2016	1.10%	9,926,000	5,013,612	$7.8M for vehicles; $2.1M for other equipment
7/24/2013	7/24/2017	0.99%	10,000,000	7,536,964	$5.5M for vehicles; $4.5M for computers
7/18/2014	7/18/2018	1.20%	10,000,000	10,000,000	$1.9M for vehicles; $8.1M for computers & equipment
		Total	$ 36,926,000	$ 24,332,957	

2. DEBT SERVICE RESPONSIBILITY

The *Code of Virginia* prohibits LCPS from having borrowing or taxing authority. The County issues and services general obligation debt to finance the purchase or construction of school facilities. The debt is not secured by the assets purchased or constructed by LCPS, but by the full faith and credit, and taxing authority of the County.

Since LCPS is not obligated to repay principal or interest on any general obligation debt incurred on LCPS' behalf, the debt is recorded in the County's government-wide financial statements.

3. CONSTRUCTION COMMITMENTS

At June 30, 2015, LCPS had contractual commitments in the amount of $92,003,080 in the Capital Improvements Fund for construction of various projects.

IV. OTHER INFORMATION

A. RELATED PARTIES

With the exception of the County, which funds a large portion of LCPS' budget, and MCCS, which LCPS provides a substantial contribution, LCPS had no other related parties during fiscal year 2015.

B. RISK MANAGEMENT

LCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees; and natural disasters.

LCPS maintains internal service funds for workers' compensation claims, disability claims, and health insurance benefits. LCPS' property and liability insurance program is provided through membership in the Virginia Association of Counties Group Self-Insurance Pool. Member jurisdictions contribute to the pool based on their risk exposures and past claims experience.

The property coverage program consists of blanket replacement cost business real and personal property insurance, boiler and machinery insurance, comprehensive crime and employee dishonesty insurance, and automobile physical damage insurance.

The business real and personal property insurance carries a $5,000 deductible per occurrence with the balance of the property coverages carrying a $2,500 deductible per occurrence.

The liability insurance program consists of first dollar insurance for general liability, school board legal professional liability, automobile liability, and excess liability for a total limit of $11 million per occurrence (no annual aggregate, deductible or retention applies).

Claims that arose from incidents occurring prior to the existence of all the foregoing agreements are covered under LCPS' previous commercial insurance programs.

In 1990, LCPS received a Certificate as a Qualified Self-Insurer from the Virginia Workers Compensation Commission. At that time, LCPS began to self-insure statutory workers' compensation and employer's liability coverage. At the same time, LCPS purchased excess workers' compensation and employer's liability insurance. This excess insurance limits individual claims against the self-insurance program with a current specific retention level of $500,000 per occurrence.

Workers' Compensation claims that arose from incidents occurring prior to the self-insured program are covered under LCPS' previous commercial insurance carrier.
A reserve for pending claims and incurred but not reported claims has been accrued as a liability within the self-insurance funds as an estimate based on information received from AON Risk Solutions.

LCPS contracts with a third party administrator to adjust workers' compensation claims, provide underwriting services, and recommend reserve levels, including claims reported but not settled. All other property and casualty insurance either has been, or is expected to be renewed as it becomes due. The following table shows the amounts that have been accrued for workers' compensation as a liability within the self-insurance fund. LCPS' administrator is PMA Companies.

Fiscal Year 2014		
Unpaid claims beginning of fiscal year	$	4,197,538
Incurred claims (including IBNR)		3,094,422
Claim payments		(2,778,390)
Unpaid claims end of fiscal year	$	4,513,570
Fiscal Year 2015		
Unpaid claims beginning of fiscal year	$	4,513,570
Incurred claims (including IBNR)		4,254,705
Claim payments		(3,739,206)
Unpaid claims end of fiscal year	$	5,029,069

On October 1, 1984, LCPS began to self-insure health care for all eligible employees and all retirees. Eligible employees are regular staff employees. Eligible retirees include all retirees who immediately begin drawing a retirement annuity from the VRS.

Employer contribution rates for employees vary depending on scheduled hours. Employer contribution rates for retirees vary based on the type and date of retirement, years of service, and type of coverage. LCPS offers two (2) health plan options to active employees and non-Medicare eligible retirees, a Point of Service (POS) Plan and an Open Access Plus Plan (OAP), as well as a Medicare Supplement to Medicare-eligible retirees/dependents

In-network services for the POS are covered with a $15 co-pay for Primary Care Physician and $30 for Specialists. Participants have an option to receive services out-of-network, subject to a $500 deductible and 20% coinsurance. In-network services for the OAP plan are covered with a $15 co-pay for Primary Care Physicians and a $30 co-pay for Specialists, with a $200 deductible and a 10% coinsurance for most other in-network services. OAP participants also have an option to receive services out-of-network. Prescription drug coverage is included as part of the medical plan and dental and vision coverage is available as an add-on.

LCPS has purchased specific stop loss insurance from Connecticut General Life Insurance Company (CIGNA) limiting claims against the self-insurance program to $385,000 per occurrence for individual claims. The following table shows the amounts that have been accrued as a liability within the self-insurance fund based upon an estimate from LCPS' contracted actuary.

Fiscal Year 2014		
Unpaid claims beginning of fiscal year	$	9,056,542
Incurred claims (including IBNR)		124,237,286
Claim payments		(123,558,664)
Unpaid claims end of fiscal year	$	9,735,164
Fiscal Year 2015		
Unpaid claims beginning of fiscal year	$	9,735,164
Incurred claims (including IBNR)		137,596,616
Claim payments		(136,855,470)
Unpaid claims end of fiscal year	$	10,476,310

LCPS' health insurance third party administrator is CIGNA Healthcare. CIGNA is contracted to adjudicate health insurance claims, provide underwriting services and recommend reserve levels, including claims incurred but not yet reported.

Express Scripts, Inc. is the third party administrator for prescription drug benefits, Delta Dental is the third party administrator for dental benefits and Davis Vision is the third party administrator for vision benefits.

C. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

1. BACKGROUND

LCPS presents the requirements for Other Postemployment Benefits (OPEB) offered to retirees in accordance with GAAP.

These requirements addressed how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as LCPS' retiree health benefit subsidy.

Historically, LCPS' subsidy was funded on a pay-as-you-go basis, but GAAP requires that LCPS accrue the cost of the retiree health subsidy and other postemployment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on LCPS. This funding methodology mirrors the funding approach used for pension benefits.

2. PLAN DESCRIPTION

The LCPS' OPEB Trust Fund is a single-employer defined benefit healthcare plan (Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through LCPS' group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage. The Plan does not issue a publicly available financial report.

At July 1, 2014, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and beneficiaries entitled to benefits	1,033
Active plan members	8,886
Total	9,919

3. FUNDING POLICY

The contribution requirements of plan members of LCPS are established and may be amended by the School Board. The contributions are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. During fiscal year 2015, LCPS contributed $24,740,087 to the OPEB Trust Fund, which included $12,740,087 for current costs and an additional $12,000,000 to prefund benefits.

LCPS participates in the Virginia Pooled OPEB Trust Fund (Trust Fund) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACO) in 2015. The Virginia Pooled OPEB Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB.

Plan assets for purposes of GAAP are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League and the Virginia Association of Counties Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

4. ANNUAL OPEB COST AND NET OPEB OBLIGATION

LCPS is required to contribute the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. LCPS' current employer contribution rate is 107.50 percent.

LCPS' annual OPEB cost is the accounting expense and is made up of the ARC, plus an adjustment to the ARC, consisting of interest on the Net OPEB Obligation (NOO) at the beginning of the period, less an amortization of the NOO. The NOO is the cumulative difference between the ACC and LCPS' total contributions.

Because LCPS is pre-funding the cost of future benefit payments, LCPS' contributions will consist of the difference between total retiree health benefits, administration and other fixed fees paid during the year and retiree premiums received (including any subsidies from VRS paid on behalf of retires for the health coverage), plus any additional employer contributions.

The following summarizes LCPS' Annual OPEB cost and NOO for June 30, 2015:

Discount rate		7.25%
Annual required contribution (ARC)	$	21,232,000
Interest on net OPEB obligation		7,312,000
Adjustment to ARC		(5,529,000)
Annual OPEB cost (expense)		23,015,000
Actual contributions		(24,740,087)
Decrease in net OPEB obligation		(1,725,087)
Net OPEB obligation, beginning of year		100,855,960
Net OPEB obligation, end of year	$	99,130,873
Actual contribution rate		107.50%

LCPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the NOO for FY 2015 and the preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Annual Contribution	Net OPEB Obligation	Annual Shortfall
06/30/15	$ 23,015,000	107.50%	$ 24,740,087	$ 99,130,873	$ (1,725,087)
06/30/14	23,953,000	97.13%	23,266,040	100,855,960	686,960
06/30/13	35,522,858	49.74%	17,668,922	121,535,936	17,853,936
06/30/12	36,075,263	64.36%	23,218,531	103,682,000	12,856,732
06/30/11	30,439,222	64.55%	19,647,113	90,825,268	10,792,109
06/30/10	31,542,472	47.54%	14,994,968	80,033,159	16,547,504
06/30/09	34,628,926	32.56%	11,275,766	63,485,655	23,353,160

The projection of future benefit payment for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer is subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

For the year ended June 30, 2015, LCPS' funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL)(b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	$ 91,482,000	$ 264,365,000	$ 172,883,000	34.60%	$ 477,137,000	36.20%
7/1/2013*	68,268,000	255,113,000	186,845,000	26.80%	468,435,000	39.90%
7/1/2012*	52,500,000	351,778,821	299,278,821	14.92%	377,195,000	79.30%
7/1/2011*	35,159,000	313,999,000	278,840,000	10.20%	365,332,000	76.33%
7/1/2009*	7,183,273	341,943,541	334,760,268	2.10%	433,438,915	77.23%
7/1/2007*	-	348,055,997	348,055,997	0.00%	363,466,341	95.76%

***Required supplementary information – unaudited**

5. 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 the plan members) and include 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The unit credit method along with a discount rate of 7.25% and a payroll growth rate of 3.25% (for the amortization of the unfunded actuarial accrued liability) was used for actuarial valuation.

The ARC for FY 2015 was determined as part of the July 1, 2014 actuarial valuation using a 30-year open period level percent of pay amortization. The ARC for LCPS is $22,183,000, including interest to the end of the year. In addition, the amortization of the unfunded accrued liability can be determined as a level dollar amount rather than a level percentage of compensation. Because LCPS is prefunding its benefits, the actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on program assets and on LCPS' investments.

The valuation also includes an annual healthcare cost trend rate for medical benefits (including prescription drugs) for Pre-Medicare rates of 6.7 percent initially, reduced by decrements to a rate of 5.18 percent for year 2099 and Post Medicare rates of 8.1 percent initially, reduced by decrements to a rate of 5.18 percent for year 2099. Dental and Vision cost trend rates of 5.0 percent and 4.0 percent respectively were also used.

Both the investment rate of return and the annual healthcare cost trend rate included a 3.25 percent wage inflation assumption. The UAAL is amortized as a level percentage of pay over an open period of 30 years.

D. CONTINGENT LIABILITIES

LCPS is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of its operations. Management believes that the amount of loss, if any, is not material to LCPS' financial condition.

LCPS receives grant funds, principally from the Federal government, for various educational programs. Certain expenditures of these funds are subject to audit by the grantor. LCPS is contingently liable to refund amounts received in excess of allowable expenditures.

In the opinion of LCPS management, no material refunds will be required as a result of expenditures disallowed by the grantors.

E. RETIREMENT PLANS

LCPS participates in two public employee retirement plans, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (non-professional). Both are administered by the Virginia Retirement System (VRS).

In the cost-sharing multiple-employer pension plan (referred to as the "Professional" plan), the Commonwealth of Virginia values the benefits of all school professional employees in the aggregate, therefore, individual school net plan assets and pension benefit obligation information is segregated based on allocation percentages to the total plan. In the agent multiple-employer pension plan (referred to as the "Non-Professional" plan), the actuarial valuation is performed annually.

The actuarial valuation for VRS is performed biennially, however, an actuarial update is performed in the interim year.

1. PLAN DESCRIPTION-Professional Plan

Name of Plan:
Virginia Retirement System (VRS)
Identification of Plan:
Professional Plan-Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:
Virginia Retirement System (VRS)

All full-time, salaried permanent (professional) employees of the Loudoun County Public Schools are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered (professional) employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:

RETIREMENT PLAN PROVISIONS-PROFESSIONAL PLAN

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. • Distribution is not required by law until age 70½.

Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic *Benefit.*	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

		<u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u> VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.
<u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**<u>Eligibility:</u>** Same as Plan 1	**<u>Eligibility:</u>** Same as Plan 1 and Plan 2.
<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage N/A	**Disability Coverage** N/A	**Disability Coverage** Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

a. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer.

Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015.

Contributions to the pension plan by LCPS were $68,243,888 and $52,480,267 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, LCPS reported a liability of $743,824,733 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

LCPS' proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2014, the school division's proportion was 6.15461% as compared to 5.96581% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of $63,538,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources *related to pensions from the following sources:*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 110,382,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	21,304,000	-
Employer contributions subsequent to the measurement date	68,243,888	-
Total	$ 89,547,888	$ 110,382,000

$68,243,888 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		Amortization Amount
2016	$	(22,891,000)
2017		(22,891,000)
2018		(22,891,000)
2019		(22,891,000)
2020		2,486,000
Total	$	(89,078,000)

c. Actuarial Assumptions

The total pension liability for the VRS Professional Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95%
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

d. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system 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 asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
* Expected arithmetic nominal return			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

e. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by LCPS for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

f. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents LCPS' proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	$ 1,092,147,000	$ 743,766,000	$ 456,935,000

g. Pension Plan Fiduciary Net Position

Detailed information about the VRS Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

2. PLAN DESCRIPTION-Non-Professional Plan

Name of Plan:

Virginia Retirement System (VRS)

Identification of Plan:

Non-Professional Plan-Agent Multiple-Employer Defined Benefit Pension Plan

Administering Entity:

Virginia Retirement System (VRS)

All full-time, salaried permanent (non-professional) employees of the Loudoun County Public Schools are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered (non-professional) employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below.

RETIREMENT PLAN PROVISIONS-NON-PROFESSIONAL PLAN		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. **Creditable Service** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. **Creditable Service** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. **Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

		Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non- hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u> VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.

Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. **Earliest Reduced Retirement Eligibility** **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service. **Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Earliest Unreduced Retirement Eligibility VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1. **Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1. **Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions. **Earliest Reduced Retirement Eligibility** **Defined Benefit Component: VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions. **Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.

<u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**<u>Eligibility:</u>** Same as Plan 1	**<u>Eligibility:</u>** Same as Plan 1 and Plan 2
<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work- related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on- year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

a. Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	409
Inactive members:	
Vested inactive members	111
Non-vested inactive members	669
Inactive members active elsewhere in VRS	250
Total inactive members	1,030
Active members	1,913
Total covered employees	3,352

b. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of* Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer.

Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

LCPS' contractually required contribution rate for the year ended June 30, 2015 was 7.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the pension plan from LCPS were $3,643,729 and $3,656,908 for the years ended June 30, 2015 and June 30, 2014, respectively.

c. Net Pension Liability

The LCPS' net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

d. Actuarial Assumptions – General Employees

The total pension liability for General Employees in LCPS' retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35%
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long- term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14 % of deaths are assumed to be service related Largest 10 – Non-LEOS:

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS: Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
Update mortality table
Decrease in rates of service retirement
Decrease in rates of disability retirement
Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
Update mortality table
Decrease in rates of service retirement
Decrease in rates of disability retirement
Reduce rates of salary increase by 0.25% per year

e. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system 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 asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
* Expected arithmetic nominal return			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

f. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (B)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 110,598,341	$ 96,556,433	$ 14,041,908
Changes for the year:			
Service cost	5,408,658	-	5,408,658
Interest	7,606,019	-	7,606,019
Contributions-employer	-	3,656,908	(3,656,908)
Contributions-employee	-	2,520,674	(2,520,674)
Net investment income	-	15,391,622	(15,391,622)
Benefit payments, including refunds of employee contributions	(3,881,848)	(3,881,848)	-
Administrative expenses	-	(80,304)	80,304
Other changes	-	811	(811)
Net changes	9,132,829	17,607,863	(8,475,034)
Balances at June 30,2014	$ 119,731,170	$ 114,164,296	$ 5,566,874

h. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	$ 22,636,513	$ 5,566,874	$ (8,484,551)

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

For the year ended June 30, 2015, LCPS recognized pension expense of $2,025,957. At June 30, 2015, LCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 6,844,083
Employer contributions subsequent to the measurement date	3,643,729	-
Total	$ 3,643,729	$ 6,844,083

$6,844,083 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		Amortization Amount
2016	$	(1,711,021)
2017		(1,711,021)
2018		(1,711,021)
2019		(1,711,020)
Thereafter		-
Total	$	(6,844,083)

3. PLANS REPORTING

The VRS Professional plan and the VRS Non-professional plan are reported separately herein since each plan has different and distinct characteristics, reporting requirements and valuations. For purposes of aiding the reader to full understanding of the impact of the total pension requirements on the net position of LCPS, the following combining and allocation schedule is presented:

a. Combining and Allocating Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Virginia Retirement System			Allocation of Pensions	
	Professional Plan	Non-Professional Plan	Combined Totals	Internal Service Funds	Governmental Activities
Net pension liability	$ 743,824,733	$ 5,566,874	$ 749,391,607	$ 621,211	$ 749,391,607
Pension Expense	$ 63,538,000	$ 2,025,957	$ 65,563,957	$ 226,079	$ 65,563,957
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ 21,304,000	$ -	$ 21,304,000	$ -	$ 21,304,000
Employer contributions subsequent to the measurement date	68,243,888	3,643,729	71,887,617	406,606	71,887,617
Total deferred outflows of resources	$ 89,547,888	$ 3,643,729	$ 93,191,617	$ 406,606	$ 93,191,617
Deferred inflows of resources:					
Net difference between projected and actual earnings on pension plan investments	$ 110,382,000	$ 6,844,083	$ 117,226,083	$ 763,736	$ 117,226,083
Total deferred inflows of resources	$ 110,382,000	$ 6,844,083	$ 117,226,083	$ 763,736	$ 117,226,083

F. BUDGETS

Budgets are prepared and adopted on a basis consistent with GAAP. Annual appropriation resolutions and budgets are adopted for the General Fund, School Nutrition Service Fund, Grant Fund, and Debt Service Fund. The budget also includes a recommended program of capital expenditures to be financed from current operations and a separate six-year capital improvement plan. All annual appropriations lapse at fiscal year-end with the exception of the Capital Improvements Fund and the Capital Asset Preservation Fund, for which project-length budgets are adopted.

Encumbrances represent goods or services that have been contracted and are funded; however, these goods or services have not been received or performed.

Encumbrances do not constitute expenditures. The budget of any funds encumbered at the end of the fiscal year carries over into the next fiscal year.

G. Deficit Net Position/Fund Balance

The Self Insurance Fund had a negative net position of $17,558,201 at June 30, 2015. While the change in Net Position has improved, the School Board will be considering further action to increase the overall net position of the Self Insurance Fund in subsequent years.

The Grant Fund had a negative unassigned fund balance of $170,014 at June 30, 2015. The fund balance will be restored in fiscal year 2016.

H. SPECIAL AND EXTRAORDINARY ITEMS

1. SPECIAL ITEM

LCPS returned committed fund balance to the County in the amount of $26,764,758 during fiscal year 2015. The return of the committed fund balance for fiscal reserve to the County was a result of a change in fiscal policy of the School Board and the Board of Supervisors to reflect the County's custody of the fiscal reserve funds.

I. PRIOR PERIOD ADJUSTMENTS

1. FUND BALANCE AT BEGINNING OF YEAR, RESTATED

LCPS restated fund balance as of the beginning of the fiscal year for a misclassification of Due to the County of $3,500,000 whose detection was obscured by the conversion to a new accounting system in the prior year.

2. NET POSITION AT BEGINNING OF YEAR, RESTATED

LCPS restated net position at the beginning of the fiscal year for a misclassification of Due to the County of $3,500,000 whose detection was obscured by the conversion to a new accounting system in the prior year. In addition, net position at the beginning of the fiscal year has been restated for the implementation of GASB Statement 68 relating to pension accounting in the amount of $779,749,733.

3. ALLOCATION OF PRIOR PERIOD ADJUSTMENTS

The following schedule shows the allocation of prior period adjustments:

	General Fund	Internal Service Funds	Governmental Activities
Beginning fund balance as previously reported at June 30, 2014	$ 42,104,410		
Prior period adjustment to "Due from County" to correct balance on June 30, 2014	(3,500,000)		
Fund balance beginning of year, restated	$ 38,604,410		
Beginning net position as previously reported at June 30, 2014		$ (10,684,618)	$ 1,414,214,722
Prior period adjustment to "Due from County" to correct balance on June 30, 2014		-	(3,500,000)
Prior period adjustment-Implementation of GASB 68:			
Net pension liability (measurement date)		(1,566,946)	(835,886,908)
Deferred outflows of resources-LCPS's contributions made during fiscal year 2014		408,077	56,137,175
Total prior period adjustment-Implementation of GASB 68		(1,158,869)	(779,749,733)
Total prior period adjustments		(1,158,869)	(783,249,733)
Net position, beginning of year, restated		$ (11,843,487)	$ 630,964,989

Required Supplementary Information

The Required Supplementary Information subsection includes:

A budgetary comparison schedule for the General Fund, which accounts for all revenues and expenditures of Loudoun County Public Schools, not required to be accounted for in other funds.

A schedule of Employer's share of Net Pension liability for VRS Teacher Retirement Plan – Professional Plan and a schedule of changes in Employer's Net Pension Liability and Related Ratios for VRS Political Subdivision Plan – Non-Professional Plan, is included. A schedule of Employer Contributions is presented.

Trend data for the Other Postemployment Benefits Trust Fund.

The notes to the required supplementary information are also included.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XII

Budgetary Comparison Schedule - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	$ 190,000	$ 190,000	$ 225,392	$ 35,392
Commonwealth of Virginia	274,122,156	274,122,156	275,310,575	1,188,419
County of Loudoun, Virginia	600,769,592	600,769,592	600,769,592	-
Charges for services:				
Tuition and fees	1,800,000	1,860,000	2,539,562	679,562
Revenue from the use of money and property	1,585,000	1,388,480	1,717,382	328,902
Recovered costs	-	750,000	2,320,500	1,570,500
Other	3,608,100	2,994,620	2,661,725	(332,895)
Total revenues	882,074,848	882,074,848	885,544,728	3,469,880
EXPENDITURES				
Current:				
Instruction:				
Regular	562,468,311	560,771,465	559,192,068	1,579,397
Special	132,753,102	132,747,221	132,702,968	44,253
Adult education	618,028	631,977	451,885	180,092
Other	1,920,153	1,807,629	1,368,412	439,217
Support services:				
Administration	22,271,422	23,152,637	21,456,997	1,695,640
Attendance and health	13,647,556	13,626,809	13,464,276	162,533
Pupil transportation	56,159,479	55,993,346	49,434,502	6,558,844
Facilities services	2,554,642	3,112,274	1,802,538	1,309,736
Operation and maintenance	77,733,155	80,250,485	75,946,564	4,303,921
School nutrition services	306,586	306,604	301,563	5,041
Technology	18,501,765	20,358,119	18,569,783	1,788,336
Capital outlay	1,165,649	4,444,948	1,788,919	2,656,029
Total expenditures	890,099,848	897,203,514	876,480,475	20,723,039
Excess (deficiency) of revenues over (under) expenditures	(8,025,000)	(15,128,666)	9,064,253	24,192,919
OTHER FINANCING USES				
Transfers out	(1,975,000)	(1,975,000)	(5,346,761)	(3,371,761)
Total other financing uses	(1,975,000)	(1,975,000)	(5,346,761)	(3,371,761)
SPECIAL AND EXTRAORDINARY ITEMS				
Special Item	-	-	(26,764,758)	(26,764,758)
Net change in fund balances	(10,000,000)	(17,103,666)	(23,047,266)	(5,943,600)
Fund balances at beginning of year, restated	38,604,410	38,604,410	38,604,410	-
Fund balances at end of year	$ 28,604,410	$ 21,500,744	$ 15,557,144	$ (5,943,600)

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XIII

Schedule of Employer's Proportionate Share of the Net Pension Liability
VRS Teacher Retirement Plan-Professional Plan
For Fiscal Year Ended June 30, 2015*

Fiscal Year	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	6.15461%	$ 743,824,733	$ 473,788,018	157.00%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

***The amounts presented have a measurement date of the previous fiscal year end.**

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XIV

Schedule of Changes in Employer's Net Pension Liability and Related Ratios
VRS Political Subdivision Plan-Non-Professional Plan
For Fiscal Year Ended June 30, 2015*

TOTAL PENSION LIABILITY	
Service cost	$ 5,408,658
Interest	7,606,019
Benefit payments, including refunds of employee contributions	(3,881,848)
Net change in total pension liability	9,132,829
Total pension liability, beginning of year	110,598,341
Total pension liability, end of year (a)	$ 119,731,170
PLAN FIDUCIARY NET POSITION	
Contributions-employer	$ 3,656,908
Contributions-employee	2,520,674
Net investment income	15,391,622
Benefit payments, including refunds of employee contributions	(3,881,848)
Administrative expense	(80,304)
Other	811
Net change in plan fiduciary net position	17,607,863
Plan fiduciary net position, beginning	96,556,433
Plan fiduciary net position, ending (b)	$ 114,164,296
Net pension liability, ending (a)-(b)	$ 5,566,874
Plan fiduciary net position as a percentage of the total pension liability	95.35%
Covered-employee payroll	$ 50,095,243
Net pension liability as a percentage of covered-employee payroll	11.11%

***The amounts presented have a measurement date of the previous fiscal year end.**

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XV

Schedule of Employer Contributions
Public Employee Retirement System
For Fiscal Year Ended June 30, 2015

Virginia Retirement System-Professional Plan	Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
	2015	$ 68,699,263	$ 68,243,888	$ 455,375	$ 473,788,018	14.40%

Virginia Retirement System-Non-Professional Plan	Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
	2015	$ 3,598,750	$ 3,643,729	$ (44,979)	$ 50,973,799	7.15%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XVI

Schedule of Funding Progress
Other Postemployment Benefits
For Fiscal Year Ended June 30, 2015

	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UALL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll ((2) - (1)) / (5)
OPEB Trust	7/1/2014	$ 91,482,000	$ 264,365,000	$ 172,883,000	34.60%	$ 477,137,000	36.20%
	7/1/2013	68,268,000	255,113,000	186,845,000	26.80%	468,435,000	39.90%
	7/1/2012	52,500,000	351,778,821	299,278,821	14.92%	377,195,000	79.30%
	7/1/2011	35,159,000	313,999,000	278,840,000	11.20%	365,332,000	76.33%
	7/1/2009	7,183,273	341,943,541	334,760,268	2.10%	433,438,915	77.23%
	7/1/2007	-	348,055,997	348,055,997	0.00%	363,466,341	95.76%

The most recent actuarial valuation was performed on July 1, 2014 and for the financial reporting purposes, the actuarial valuation will be performed at least biennially.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XVII

Schedule of Employer Contributions
Other Postemployment Benefits
For Fiscal Year Ended June 30, 2015

	Actuarial Valuation Date	Fiscal Year	Employer Annual Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
OPEB Trust	7/1/2014	6/30/2015	$ 24,740,087	$ 23,015,000	107.50%
	7/1/2013	6/30/2014	23,266,040	23,953,000	97.13%
	7/1/2012	6/30/2013	17,668,922	35,522,858	49.74%
	7/1/2011	6/30/2012	23,218,531	36,075,263	64.36%
	7/1/2009	6/30/2011	19,647,113	30,439,222	64.55%
	7/1/2009	6/30/2010	14,994,968	31,542,472	47.54%

LCPS is participating in the Virginia Pooled OPEB Trust Fund sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACO). The Virginia Pooled OPEB Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB.

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

Loudoun County Public Schools
June 30, 2015

I. BUDGETARY COMPARISON SCHEDULE

The *Code of Virginia* requires the appointed Superintendent of Loudoun County Public Schools (LCPS) to submit a budget to the County Board of Supervisors (BOS), with the approval of the School Board.

The preparation of LCPS' budget begins with the Superintendent soliciting input from managers, parents, and community leaders on the School Board's budget priorities. In January, the Superintendent releases the proposed budget to the School Board. The School Board holds budget work sessions and public hearings on the proposed budget during the month of January. The School Board may alter the proposed budget prior to submission to the BOS. Upon approval by the School Board, the budget is submitted to the BOS in January.

The BOS holds budget work sessions and public hearings in conjunction with the School Board. By the first BOS meeting in April, the BOS adopts the final budget. The adopted budget governs the financial operations of the school system beginning on July 1.

Formal budgetary integration is employed at each program level as a management control device during the fiscal year. All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America. All budgetary changes that affect the total fund appropriations or estimated revenues are required to have School Board approval prior to BOS action. All budgetary changes that deviate by $50,000 or more from the program purpose designated by the School Board but do not revise the original appropriation are submitted for consideration to the Finance and Facilities Committee and final approval by the School Board.

Budgetary changes under $50,000 that do not revise the original appropriation are submitted for approval/disapproval to the Director of Budget along with sufficient justification for the revision to the budget.

II. VIRGINIA RETIREMENT SYSTEM (System)

A. TEACHER'S-PROFESSIONAL PLAN

1. Changes of Benefit Terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component went into effect in FY2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013. Because this was a new benefit and the number of participants was small, the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

B. POLITICAL SUBDIVISION-NON-PROFESSIONAL PLAN

1. Changes of Benefit Terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10-Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10-LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest)-Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest)-LEOS:
- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

III. TREND DATA

A. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

LCPS implemented GAAP OPEB requirements in fiscal year 2008. In fiscal year 2010, LCPS joined the VML/VACO Pooled OPEB Trust for the purpose of investing funds designated for LCPS' other post-employment benefits. Six-year historical trend information about OPEB is required supplementary information. This information is intended to help users assess the funding status on a going concern basis; progress made in accumulating assets to pay benefits when due; and make comparisons with other plans. Information pertaining to the OPEB trust can be found in note IV.C in the notes to the financial statements.

B. TREND ANALYSIS

Analysis of the dollar amounts of plan net position, actuarial accrued liability, and unfunded actuarial accrued liability, in isolation, can be misleading. Expressing plan net position as a percentage of the actuarial accrued liability provides one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

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Other Supplementary Information

The **Other Supplementary Information** subsection includes budgetary, combining, and individual fund statements and schedules for the following:

Budgetary comparison schedule for the Capital Improvements Fund

Combining statements for the nonmajor governmental funds

Budgetary comparison schedules for the Lease Fund, School Nutrition Services Fund, Grant Fund, Capital Asset Preservation, and Debt Service Funds

Combining statements for the Internal Service Funds

Combining and individual statements for the Agency Funds

Component Unit statements

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Capital Improvements Fund

The Capital Improvement Fund is used to account for the construction, renovation, and major maintenance projects of schools and buildings. The primary revenue source is bond proceeds from the County of Loudoun, Virginia.

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 1

Budgetary Comparison Schedule - Budget and Actual
Capital Improvements Fund
For the Fiscal Year Ended June 30, 2015

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	$ 636,783,129	$ 132,124,883	$ 768,908,012	$ 874,085,949
Other	100,000	250,000	350,000	350,000
Total revenues	636,883,129	132,374,883	769,258,012	874,435,949
EXPENDITURES				
Current:				
Support services:				
Facilities services	737,928	21,713	759,641	961,000
Capital outlay	603,373,854	95,889,036	699,262,890	873,474,949
Total expenditures	604,111,782	95,910,749	700,022,531	874,435,949
Excess of revenues over expenditures	32,771,347	36,464,134	69,235,481	-
OTHER FINANCING USES				
Transfers out	(55,359)	-	(55,359)	-
Total other financing uses	(55,359)	-	(55,359)	-
Net change in fund balance	$ 32,715,988	36,464,134	$ 69,180,122	$ -
Fund balances at beginning of year		32,715,988		
Fund balances at end of year		$ 69,180,122		

Nonmajor Governmental Funds

Lease Fund – used to account for capital lease proceeds and its expenditures.

School Nutrition Services Fund – used to account for the procurement, preparation, and serving of student breakfasts, snacks, and lunches. The primary revenue sources are receipts derived from food sales and the Federal school lunch program.

Grant Fund – used to account for all Federal, State and local grants. The primary revenue source is Federal government funding.

Capital Asset Preservation Fund – used to account for the maintenance projects of schools and buildings. The primary revenue source is contributions from the County of Loudoun, Virginia.

Debt Service Fund – used to account for the resources accumulated and payments made for principal, interest, and related costs on long-term debt of governmental funds.

Peabody Trust Fund – used to account for monies provided through a private donor, the corpus of which is nonexpendable. The interest earned on fund assets may be used only for school expenses.

LOUDOUN COUNTY PUBLIC SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue			
	Lease Fund	School Nutrition Services Fund	Grant Fund	Capital Asset Preservation Fund
ASSETS				
Cash and cash equivalents	$ -	$ 200	$ -	$ -
Accounts receivable, net	149,160	47,062	15,972	-
Due from other governmental units	-	441,522	6,212,778	-
Interfund receivables	-	6,164,088	-	7,390,207
Inventories	-	306,468	-	-
Restricted cash on deposit with others	4,437,695	-	-	-
Total assets	$ 4,586,855	$ 6,959,340	$ 6,228,750	$ 7,390,207
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 3,260,568	$ 14,365	$ 774,477	$ 1,805,905
Accrued liabilities	1,673	1,170,374	1,186,452	160
Interfund payables	895,392	-	1,646,222	-
Unearned revenues	-	1,028,922	2,791,613	-
Total liabilities	4,157,633	2,213,661	6,398,764	1,806,065
Fund balances:				
Nonspendable:				
Inventories	-	306,468	-	-
Permanent fund-nonexpendable	-	-	-	-
Restricted for:				
Restricted by legal agreement	429,222			
Committed to:				
Subsequent years appropriations	-	-	-	-
Capital asset preservation	-	-	-	5,584,142
Assigned to:				
School nutrition services fund	-	4,439,211	-	-
Unassigned	-	-	(170,014)	-
Total fund balances	429,222	4,745,679	(170,014)	5,584,142
Total liabilities and fund balances	$ 4,586,855	$ 6,959,340	$ 6,228,750	$ 7,390,207

Schedule 2

	Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ -	$ 200
Accounts receivable, net	-	-	212,194
Due from other governmental units	-	-	6,654,300
Interfund receivables	2,389,128	29,406	15,972,829
Inventories	-	-	306,468
Restricted cash on deposit with others	-	-	4,437,695
Total assets	$ 2,389,128	$ 29,406	$ 27,583,686
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ 5,855,315
Accrued liabilities	-	-	2,358,659
Interfund payables	-	-	2,541,614
Unearned revenues	-	-	3,820,535
Total liabilities	-	-	14,576,123
Fund balances:			
Nonspendable:			
Inventories	-	-	306,468
Permanent fund-nonexpendable	-	29,406	29,406
Restricted for:			
Restricted by legal agreement			429,222
Committed to:			
Subsequent years appropriations	2,389,128	-	2,389,128
Capital asset preservation	-	-	5,584,142
Assigned to:			
School nutrition services fund	-	-	4,439,211
Unassigned	-	-	(170,014)
Total fund balances	2,389,128	29,406	13,007,563
Total liabilities and fund balances	$ 2,389,128	$ 29,406	$ 27,583,686

LOUDOUN COUNTY PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue			
	Lease Fund	School Nutrition Services Fund	Grant Fund	Capital Asset Preservation Fund
REVENUES				
Intergovernmental:				
Federal government	$ -	$ 7,418,767	$ 12,056,798	$ -
Commonwealth of Virginia	-	312,253	6,400,060	-
County of Loudoun, Virginia	-	-	-	7,951,000
Charges for services:				
Tuition and fees	-	-	22,496	-
Food sales	-	15,786,657	-	-
Other	798	131,473	1,047,308	-
Total revenues	798	23,649,150	19,526,662	7,951,000
EXPENDITURES				
Current:				
Instruction:				
Regular	-	-	6,098,726	-
Special	-	-	9,432,570	-
Adult education	-	-	302,758	-
Other	-	-	-	-
Support services:				
Operation and maintenance	-	-	33,758	5,589,122
School nutrition services	-	22,048,220	-	-
Technology	7,329,969	-	3,584,959	-
Capital outlay	2,241,607	-	74,747	65,083
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	9,571,576	22,048,220	19,527,518	5,654,205
Excess (deficiency) of revenues over (under) expenditures	(9,570,778)	1,600,930	(856)	2,296,795
OTHER FINANCING SOURCES				
Capital leases and installment purchases	10,000,000	-	-	-
Net change in fund balances	429,222	1,600,930	(856)	2,296,795
Fund balances at beginning of year	-	3,144,749	(169,158)	3,287,347
Fund balances at end of year	$ 429,222	$ 4,745,679	$ (170,014)	$ 5,584,142

Schedule 3

	Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental:			
Federal government	$ -	$ -	$ 19,475,565
Commonwealth of Virginia	-	-	6,712,313
County of Loudoun, Virginia	11,097,024	-	19,048,024
Charges for services:			
Tuition and fees	-	-	22,496
Food sales	-	-	15,786,657
Other	-	-	1,179,579
Total revenues	11,097,024	-	62,224,634
EXPENDITURES			
Current:			
Instruction:			
Regular	-	-	6,098,726
Special	-	-	9,432,570
Adult education	-	-	302,758
Other	-	2,100	2,100
Support services:			
Operation and maintenance	-	-	5,622,880
School nutrition services	-	-	22,048,220
Technology	-	-	10,914,928
Capital outlay	-	-	2,381,437
Debt service:			
Principal	8,738,395	-	8,738,395
Interest	264,102	-	264,102
Total expenditures	9,002,497	2,100	65,806,116
Excess (deficiency) of revenues over (under) expenditures	2,094,527	(2,100)	(3,581,482)
OTHER FINANCING SOURCES (USES)			
Capital leases and installment purchases	-	-	10,000,000
Net change in fund balances	2,094,527	(2,100)	6,418,518
Fund balances at beginning of year	294,601	31,506	6,589,045
Fund balances at end of year	$ 2,389,128	$ 29,406	$ 13,007,563

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 4

Budgetary Comparison Schedule - Budget and Actual
Lease Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Other	$ -	$ -	$ 798	$ 798
EXPENDITURES				
Current:				
Technology	8,031,177	7,493,734	7,329,969	163,765
Capital outlay	1,968,823	2,506,266	2,241,607	264,659
Total expenditures	10,000,000	10,000,000	9,571,576	428,424
Excess (deficiency) of revenues over (under) expenditures	(10,000,000)	(10,000,000)	(9,570,778)	429,222
OTHER FINANCING SOURCES				
Capital leases and installment purchases	10,000,000	10,000,000	10,000,000	-
Net change in fund balances	-	-	429,222	429,222
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	$ -	$ -	$ 429,222	$ 429,222

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 5

Budgetary Comparison Schedule - Budget and Actual
School Nutrition Services Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	$ 7,800,000	$ 7,800,000	$ 7,418,767	$ (381,233)
Commonwealth of Virginia	338,660	338,660	312,253	(26,407)
Charges for services:				
Food sales	20,000,000	20,000,000	15,786,657	(4,213,343)
Other	-	-	131,473	131,473
Total revenues	28,138,660	28,138,660	23,649,150	(4,489,510)
EXPENDITURES				
Current:				
Support services:				
School nutrition services	28,113,660	28,118,530	22,048,220	6,070,310
Capital outlay	25,000	25,000	-	25,000
Total expenditures	28,138,660	28,143,530	22,048,220	6,095,310
Net change in fund balances	-	(4,870)	1,600,930	1,605,800
Fund balances at beginning of year	3,144,749	3,144,749	3,144,749	-
Fund balances at end of year	$ 3,144,749	$ 3,139,879	$ 4,745,679	$ 1,605,800

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 6

Budgetary Comparison Schedule - Budget and Actual
Grant Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	$ 13,105,569	$ 15,643,196	$ 12,056,798	$ (3,586,398)
Commonwealth of Virginia	4,979,279	9,230,202	6,400,060	(2,830,142)
Charges for services:				
Tuition and fees	31,200	27,405	22,496	(4,909)
Other	1,794,301	2,805,162	1,047,308	(1,757,854)
Total revenues	19,910,349	27,705,965	19,526,662	(8,179,303)
EXPENDITURES				
Current:				
Instruction:				
Regular	6,241,756	9,107,671	6,098,726	3,008,945
Special	10,674,573	12,287,209	9,432,570	2,854,639
Adult education	304,461	305,714	302,758	2,956
Support services:				
Operation and maintenance	-	33,758	33,758	-
Technology	2,328,000	5,128,224	3,584,959	1,543,265
Capital outlay	361,559	671,922	74,747	597,175
Total expenditures	19,910,349	27,534,498	19,527,518	8,006,980
Net change in fund balances	-	171,467	(856)	(172,323)
Fund balances at beginning of year	(169,158)	(169,158)	(169,158)	-
Fund balances at end of year	$ (169,158)	$ 2,309	$ (170,014)	$ (172,323)

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 7

Budgetary Comparison Schedule - Budget and Actual
Capital Asset Preservation Fund
For the Fiscal Periods Ended June 30, 2015

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	$ 3,389,019	$ 7,951,000	$ 11,340,019	$ 11,340,019
Total revenues	3,389,019	7,951,000	11,340,019	11,340,019
EXPENDITURES				
Current:				
Support services:				
Operation and maintenance	101,672	5,589,122	5,690,794	10,994,174
Capital outlay	-	65,083	65,083	345,845
Total expenditures	101,672	5,654,205	5,755,877	11,340,019
Net change in fund balances	$ 3,287,347	2,296,795	$ 5,584,142	$ -
Fund balances at beginning of year		3,287,347		
Fund balances at end of year		$ 5,584,142		

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 8

Budgetary Comparison Schedule - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	$ 11,097,024	$ 11,097,024	$ 11,097,024	$ -
Total revenues	11,097,024	11,097,024	11,097,024	-
EXPENDITURES				
Debt service:				
Principal	10,480,454	10,480,454	8,738,395	1,742,059
Interest	616,570	616,570	264,102	352,468
Total expenditures	11,097,024	11,097,024	9,002,497	2,094,527
Net change in fund balances	-	-	2,094,527	2,094,527
Fund balances at beginning of year	294,601	294,601	294,601	-
Fund balances at end of year	$ 294,601	$ 294,601	$ 2,389,128	$ 2,094,527

Proprietary Funds-Internal Service Funds

Internal Service Funds – Internal Service Funds are proprietary funds, which account for the financing of goods and services provided by one department to other departments within LCPS on a cost reimbursement basis.

> **Central Service Fund** – accounts for the financing of goods and services of the fleet management services.
>
> **Self-Insurance Fund** – accounts for the transactions associated with the comprehensive health benefits self-insurance program, the disability self-insurance program, and the worker's compensation insurance program.

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 9

Combining Statement of Net Position
Proprietary Funds
June 30, 2015

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
ASSETS			
Current assets:			
Accounts receivable, net	$ -	$ 1,648,263	$ 1,648,263
Inventories	678,475	-	678,475
Deposits	-	2,719,000	2,719,000
Total current assets	678,475	4,367,263	5,045,738
Noncurrent assets:			
Capital assets:			
Buildings	3,238,924	-	3,238,924
Machinery and equipment	582,261	-	582,261
Accumulated depreciation	(960,045)	-	(960,045)
Total noncurrent assets	2,861,140	-	2,861,140
Total assets	3,539,615	4,367,263	7,906,878
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	406,606	-	406,606
LIABILITIES			
Current liabilities:			
Accounts payable	550,424	1,316,838	1,867,262
Accrued liabilities	-	291,313	291,313
Interfund payables	342,613	4,811,934	5,154,547
Claims liabilities	-	14,826,757	14,826,757
Total current liabilities	893,037	21,246,842	22,139,879
Noncurrent liabilities:			
Claims liabilities	-	678,622	678,622
Net pension liability	621,211	-	621,211
Total noncurrent liabilities	621,211	678,622	1,299,833
Total liabilities	1,514,248	21,925,464	23,439,712
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	763,736	-	763,736
NET POSITION			
Invested in capital assets	2,861,140	-	2,861,140
Unrestricted	(1,192,903)	(17,558,201)	(18,751,104)
Total net position	$ 1,668,237	$ (17,558,201)	$ (15,889,964)

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 10

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ 17,614,144	$ 141,397,553	$ 159,011,697
Use of property	38,017	-	38,017
Total operating revenues	17,652,161	141,397,553	159,049,714
OPERATING EXPENSES			
Claims	-	140,594,676	140,594,676
Personnel services	5,170,265	1,453,719	6,623,984
Other services and charges	2,171,459	8,074,186	10,245,645
Materials and supplies	10,744,344	80,194	10,824,538
Depreciation	152,509	-	152,509
Total operating expenses	18,238,577	150,202,775	168,441,352
Operating Loss	(586,416)	(8,805,222)	(9,391,638)
NONOPERATING REVENUES			
Loss on sale of capital assets	(1,600)	-	(1,600)
Net loss before operating transfers	(588,016)	(8,805,222)	(9,393,238)
Transfers in	-	5,346,761	5,346,761
Change in net position	(588,016)	(3,458,461)	(4,046,477)
Net position at beginning of year, restated	2,256,253	(14,099,740)	(11,843,487)
Net position at end of year	$ 1,668,237	$ (17,558,201)	$ (15,889,964)

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 11

Combining Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 17,652,161	$ 140,125,117	$ 157,777,278
Receipts from interfund services	342,613	4,811,934	5,154,547
Payments to suppliers for goods and services	(12,913,694)	(9,556,407)	(22,470,101)
Claims paid	-	(139,338,031)	(139,338,031)
Payments to employees	(5,350,793)	(1,453,719)	(6,804,512)
Net cash used in operating activities	(269,713)	(5,411,106)	(5,680,819)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	5,346,761	5,346,761
Net cash provided by noncapital financing activities	-	5,346,761	5,346,761
Net decrease in cash on deposit with County	(269,713)	(64,345)	(334,058)
Cash on deposit with County at beginning of year	269,713	64,345	334,058
Cash at end of year	$ -	$ -	$ -

Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
NET OPERATING LOSS	$ (586,416)	$ (8,805,222)	$ (9,391,638)
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	152,509	-	152,509
(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES			
Accounts receivables, net	-	(1,272,436)	(1,272,436)
Inventories	(51,084)	-	(51,084)
Prepaid items	-	(479,000)	(479,000)
Accounts payable	53,193	936,012	989,205
Accrued liabilities	-	(1,859,039)	(1,859,039)
Interfund payables	342,613	4,811,934	5,154,547
Claims liabilities	-	1,256,645	1,256,645
Net pension liability	(180,528)	-	(180,528)
Total adjustments	316,703	3,394,116	3,710,819
Net cash used in operating activities	$ (269,713)	$ (5,411,106)	$ (5,680,819)

Fiduciary Funds-Agency Funds

Payroll Liabilities Distribution Fund – accounts for monies collected and disbursed in connection with employee payroll liabilities.

Student Activity Fund – accounts for monies collected and disbursed at schools in connection with student athletics, classes, clubs, various fund raising activities, and private donations.

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 12

Combining Statement of Fiduciary Net Position
Agency Funds
For Fiscal Year Ended June 30, 2015

	Payroll Liabilities Distribution Fund	Student Activity Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 6,640,699	$ 6,640,699
Due from General Fund	12,254,806		12,254,806
Total assets	$ 12,254,806	$ 6,640,699	$ 18,895,505
LIABILITIES			
Accounts payable	$ 12,254,806	$ -	$ 12,254,806
Collections held in trust	-	6,640,699	6,640,699
Total liabilities	$ 12,254,806	$ 6,640,699	$ 18,895,505

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 13

Statement of Changes in Assets and Liabilities
Payroll Liabilities Distribution Fund
For Fiscal Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Due from General Fund	$ 9,152,040	$ 469,103,062	$ 466,000,296	$ 12,254,806
Total assets	$ 9,152,040	$ 469,103,062	$ 466,000,296	$ 12,254,806
LIABILITIES				
Accounts payable	$ 9,152,040	$ 469,103,062	$ 466,000,296	$ 12,254,806
Total liabilities	$ 9,152,040	$ 469,103,062	$ 466,000,296	$ 12,254,806

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 14

Statement of Changes in Assets and Liabilities
Student Activity Fund
For Fiscal Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and cash equivalents	$ 6,434,934	$ 18,937,847	$ 18,732,082	$ 6,640,699
Total assets	$ 6,434,934	$ 18,937,847	$ 18,732,082	$ 6,640,699
LIABILITIES				
Collections held in trust	$ 6,434,934	$ 18,937,847	$ 18,732,082	$ 6,640,699
Total liabilities	$ 6,434,934	$ 18,937,847	$ 18,732,082	$ 6,640,699

Component Unit

The Middleburg Community Charter School for the purpose of increasing choices for parents or public school students and increasing academic performance.

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 15

Balance Sheet
Governmental Fund
Component Unit-Middleburg Community Charter School
June 30, 2015

	General Fund
ASSETS	
Cash and cash equivalents	$ 49,709
Due from governmental units	62,385
Prepaid items	4,410
Total assets	$ 116,504
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable	$ 17,588
Accrued payroll	20,892
Total liabilities	38,480
Fund balances:	
Nonspendable	4,410
Unassigned	73,614
Total fund balance	78,024
Total liabilities and fund balance	$ 116,504

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 16

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Component Unit-Middleburg Community Charter School
For Fiscal Year Ended June 30, 2015

	General Fund
REVENUES	
Revenue from the use of money and property	$ 4,312
Fees	9,597
Donations and contributions	69,882
Contributions from Loudoun County Public Schools	1,727,908
Revenue from the Commonwealth	60,720
Total revenues	1,872,419
EXPENDITURES	
Educaton:	
Instructional	1,354,355
Attendance and health	15,581
Pupil transportation	68,967
Operation and maintenance	345,307
Food services	10,185
Total expenditures	1,794,395
Excess of revenues over expenditures	78,024
Fund balances at beginning of year	-
Fund balances at end of year	$ 78,024

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 17

Statement of Fiduciary Net Position
Fiduciary Fund
Component Unit-Middleburg Community Charter School
June 30, 2015

		Agency Fund
		Student Activity Fund
ASSETS		
Cash	$	1,552
Total assets	$	1,552
LIABILITIES		
Amounts held for student activities	$	1,552
Total liabilities	$	1,552

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 18

Statement of Changes in Assests and Liabilities
Fiduciary Fund
Component Unit-Middleburg Community Charter School
For the Year Ended June 30, 2015

	Agency Fund-Student Activity Fund			
	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash	$ -	$ 7,969	$ 6,417	$ 1,552
Total assets	$ -	$ 7,969	$ 6,417	$ 1,552
LIABILITIES				
Amounts held for student activities	$ -	$ 7,969	$ 6,417	$ 1,552
Total liabilities	$ -	$ 7,969	$ 6,417	$ 1,552

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Statistical Section

Unaudited-See accompanying accountant's report

The **Statistical Section** provides financial statement users with additional historical perspective, content, and detail to assist in using the information in the financial statements, including the accompanying notes and required supplementary information, to understand and assess Loudoun County Public School's economic condition. This information has not been audited by the independent auditor.

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STATISTICAL SECTION(1)

Information is presented in the following five categories:

Financial Trends – trend information to assist in understanding how LCPS' financial performance has changed over time. (Tables A-D)

Revenue Capacity – information to assist in understanding LCPS' most significant own-source revenue, charges for services. (Tables E-G)

Debt Capacity – information to assist in understanding LCPS' debt burden. (Table H)

Demographic Information – demographic and economic indicators to assist in understanding the environment within which LCPS' financial activities take place. (Tables I-J)

Operating Information – service and infrastructure data to assist in understanding the resources used and services provided in LCPS' operations. (Tables K-Q)

(1) The current Statistical Section as described in Statement No. 44 of the Governmental Accounting Standards Board was implemented as required, in fiscal year 2006.

LOUDOUN COUNTY PUBLIC SCHOOLS
Net Position by Component

(accrual basis of accounting)

Governmental Activities	**Fiscal Year** 2015	2014 (1)	2013	2012	2011
Net investment in capital assets	$ 1,532,224,787	$ 1,469,383,294	$ 1,345,039,435	$ 1,296,827,243	$ 1,270,621,901
Restricted	29,406	32,647,494	45,542,377	12,565,925	69,473,633
Unrestricted	(821,309,109)	(87,816,066)	(101,134,357)	(69,354,696)	(12,775,272)
Total net position, as previously reported	710,945,084	1,414,214,722	1,289,447,455	1,240,038,472	1,327,320,262
Prior period adjustments	-	(783,249,733)	-	-	(34,531,174)
Total net position, restated	$ 710,945,084	$ 630,964,989	$ 1,289,447,455	$ 1,240,038,472	$ 1,292,789,088

(1) LCPS restated net position for the implementation of GASB Statement 68 relating to pension accounting in the amount of $779,749,733.
Net position was also restated for an omision of Due to County of $3,500,000 relating to FY13.

Table A

(accrual basis of accounting)

Fiscal Year 2010	2009	2008	2007	2006	Governmental Activities
$ 1,186,800,468	$ 1,086,311,784	$ 1,046,108,896	$ 925,614,582	$ 837,272,157	Net investment in capital assets
95,452,677	160,218,669	93,074,981	194,986,560	132,512,303	Restricted
8,838,294	25,277,868	57,170,979	71,722,695	77,692,379	Unrestricted
1,291,091,439	1,271,808,321	1,196,354,856	1,192,323,837	1,047,476,839	Total net position, as previously reported
-	-	-	-	-	Prior period adjustments
$ 1,291,091,439	$ 1,271,808,321	$ 1,196,354,856	$ 1,192,323,837	$ 1,047,476,839	Total net position, restated

LOUDOUN COUNTY PUBLIC SCHOOLS
Changes in Net Position

(accrual basis of accounting)

	Fiscal Year				
Governmental Activities	**2015**	**2014**	**2013**	**2012**	**2011**
Expenses					
Instruction:					
Regular	$ 598,844,655	$ 554,392,389	$ 544,209,456	$ 498,166,427	$ 465,240,531
Special	142,401,177	129,244,542	150,140,769	134,924,678	124,011,095
Adult education	759,725	736,678	820,681	787,327	760,810
Other	1,383,824	2,435,818	4,229,954	3,689,350	2,917,550
Charter School	1,378,767	-	-	-	-
Total instruction	744,768,148	686,809,427	699,400,860	637,567,782	592,929,986
Support Services:					
Administration	21,995,247	19,754,018	19,821,969	18,052,399	15,074,767
Attendance and health	13,497,921	12,459,804	11,188,037	10,734,630	10,064,592
Pupil transportation	56,085,138	56,467,025	57,473,572	55,331,621	51,561,510
Facilities services	1,823,048	1,924,504	3,377,440	3,529,974	3,275,504
Operation and maintenance	82,258,524	73,352,930	77,922,303	73,877,222	68,467,436
School nutrition services	22,419,261	23,401,309	25,892,431	22,892,698	20,986,848
Total support services	198,079,139	187,359,590	195,675,752	184,418,544	169,430,657
Technology	30,487,363	23,544,855	22,013,000	20,048,569	19,278,461
Interest on long-term debt	283,289	280,174	296,132	378,606	504,983
Total Expenses	973,617,939	897,994,046	917,385,744	842,413,501	782,144,087
Program Revenues					
Charges for services:					
Regular instruction	2,319,185	221,019	256,118	329,664	281,123
All other instruction	242,873	2,079,239	2,255,854	2,072,849	1,821,150
School nutrition services	15,786,657	15,422,559	16,130,468	17,197,025	15,390,731
Operating grants and contributions	27,360,795	25,269,020	28,188,749	32,446,316	42,960,956
Capital grants and contributions	141,662,059	148,057,525	112,100,829	14,393,179	56,206,737
Total program revenues	187,371,569	191,049,362	158,932,018	66,439,033	116,660,697
Net (expense)	(786,246,370)	(706,944,684)	(758,453,726)	(775,974,468)	(665,483,390)
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal Government	225,392	1,284,916	309,764	262,340	215,102
Commonwealth of Virginia	275,124,246	256,765,872	247,085,380	215,824,328	197,840,065
County of Loudoun, Virginia	610,280,440	566,207,402	553,640,610	501,922,225	464,830,655
Revenue from the use of money and property	1,729,089	2,026,055	2,166,749	2,468,547	1,968,263
Other	5,632,056	5,427,706	4,660,206	2,746,412	2,326,953
Special items	(26,764,758)	-	-	-	-
Total general revenues and other changes in net position	866,226,465	831,711,951	807,862,709	723,223,852	667,181,038
Change in Net Position	$ 79,980,095	$ 124,767,267	$ 49,408,983	$ (52,750,616)	$ 1,697,648

Table B

(accrual basis of accounting)

Governmental Activities	2010	2009	2008	2007	2006
Expenses					
Instruction:					
Regular	$ 464,661,346	$ 471,240,098	$ 471,197,037	$ 387,494,679	$ 349,067,919
Special	120,605,745	123,261,065	113,903,431	88,721,447	81,732,050
Adult education	769,910	770,593	592,895	572,309	516,783
Other	4,002,410	4,883,320	4,782,646	3,669,061	3,313,080
Charter School	-	-	-	-	-
Total instruction	590,039,411	600,155,076	590,476,009	480,457,496	434,629,832
Support Services:					
Administration	15,824,671	18,347,484	18,928,502	17,506,727	16,190,382
Attendance and health	9,314,661	9,434,209	8,961,397	8,097,441	7,260,236
Pupil transportation	50,694,334	54,943,361	54,047,475	46,652,308	41,828,863
Facilities services	3,689,902	3,263,164	4,491,291	3,349,422	3,003,121
Operation and maintenance	67,939,211	66,991,571	62,285,061	57,634,445	51,675,542
School nutrition services	20,000,225	20,643,026	19,817,198	15,670,644	13,556,735
Total support services	167,463,004	173,622,815	168,530,924	148,910,987	133,514,879
Technology	13,359,595	22,981,405	23,107,219	17,307,075	18,271,694
Interest on long-term debt	703,699	873,645	905,360	614,692	494,918
Total Expenses	771,565,709	797,632,941	783,019,512	647,290,250	586,911,323
Program Revenues					
Charges for services:					
Regular instruction	1,260,283	427,516	452,892	437,955	436,913
All other instruction	923,957	595,899	829,348	785,157	633,576
School nutrition services	14,435,361	14,640,606	14,106,127	11,846,814	10,982,152
Operating grants and contributions	27,462,090	23,065,337	21,408,189	10,620,818	16,581,855
Capital grants and contributions	43,444,555	114,790,866	16,207,909	167,693,603	138,634,100
Total program revenues	87,526,246	153,520,224	53,004,465	191,384,347	167,268,596
Net (expense)	(684,039,463)	(644,112,717)	(730,015,047)	(455,905,903)	(419,642,727)
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal Government	17,592,422	187,092	172,027	139,245	134,264
Commonwealth of Virginia	164,606,186	176,955,174	154,345,013	144,076,694	110,878,481
County of Loudoun, Virginia	515,093,801	532,583,195	523,438,195	448,300,402	412,768,666
Revenue from the use of money and property	2,225,179	1,276,599	1,374,947	6,058,268	1,397,643
Other	3,804,993	3,648,838	2,181,438	2,178,292	1,761,674
Special items	-	4,915,284	52,534,446	-	-
Total general revenues and other changes in net assets	703,322,581	719,566,182	734,046,066	600,752,901	526,940,728
Change in Net Position	$ 19,283,118	$ 75,453,465	$ 4,031,019	$ 144,846,998	$ 107,298,001

LOUDOUN COUNTY PUBLIC SCHOOLS
Fund Balances of Governmental Funds

(modified accrual basis of accounting)

	Fiscal Years				
	2015	**2014 (2)**	**2013**	**2012**	**2011**
General Fund:					
Reserved					
Unreserved:					
Designated					
Undesignated					
Total General Fund					
All other governmental funds:					
Reserved					
Unreserved:					
Designated:					
Capital Improvements Fund					
School Nutrition Services Fund					
Capital Asset Preservation Fund					
Debt Service Fund					
Total all other governmental funds					
Total governmental funds					
General Fund:					
Nonspendable	$ 201,346	$ 120,733	$ 357,661	$ 257,478	$ 373,807
Restricted	647,714	1,760,162	-	139,923	139,733
Committed	-	26,764,758	27,734,254	34,859,396	34,062,781
Assigned	14,567,565	13,458,757	15,346,560	6,381,727	9,788,628
Unassigned	140,519	-	940,166	1,050,478	17,267,996
Total General Fund	15,557,144	42,104,410	44,378,641	42,689,002	61,632,945
All other governmental funds:					
Nonspendable	385,874	460,369	820,962	710,751	762,265
Restricted	429,222	32,615,988	45,509,471	12,695,648	69,771,866
Committed	77,103,392	3,681,948	1,941,931	1,584,871	10,907,154
Assigned	4,439,211	2,715,886	2,833,861	4,602,172	16,016,808
Unassigned	(170,014)	(169,158)	-	-	-
Total all other governmental funds	82,187,685	39,305,033	51,106,225	19,593,442	97,458,093
Total governmental funds, previously reported	97,744,829	81,409,443	95,484,866	62,282,444	159,091,038
Prior period adjustment	-	(3,500,000)	-	-	-
Total governmental funds, restated	$ 97,744,829	$ 77,909,443	$ 95,484,866	$ 62,282,444	$ 159,091,038

(1) Fiscal year 2010 restated for comparison purposes to reflect retroactive implementation of GASB Statement No. 54
(2) The Grant Fund is treated as a Special Revenue Fund beginning in fiscal year 2014, but was part of the General Fund prior to fiscal year 2014.

Table C

(modified accrual basis of accounting)

Fiscal Years 2010 (1)	2009	2008	2007	2006	
					General Fund:
$ 5,106,821	$ 7,219,418	$ 5,453,180	$ 8,929,476	$ 10,987,616	Reserved
					Unreserved:
21,251,835	21,979,177	19,566,122	17,514,148	14,280,656	Designated
40,834,609	27,540,779	18,908,769	9,802,558	8,333,130	Undesignated
67,193,265	56,739,374	43,928,071	36,246,182	33,601,402	Total General Fund
					All other governmental funds:
49,544,036	112,941,078	31,715,083	41,842,889	60,602,507	Reserved
					Unreserved:
					Designated:
59,786,608	76,223,606	106,099,604	181,115,521	106,876,776	Capital Improvements Fund
1,362,971	1,564,781	949,380	253,198	277,889	School Nutrition Services Fund
4,871,213	6,021,973	8,538,869	6,371,630	4,960,762	Capital Asset Preservation Fund
2,817,028	2,755,318	2,741,164	368,015	1,866,837	Debt Service Fund
118,381,856	199,506,756	150,044,100	229,951,253	174,584,771	Total all other governmental funds
$ 185,575,121	$ 256,246,130	$ 193,972,171	$ 266,197,435	$ 208,186,173	Total governmental funds
					General Fund:
$ 371,977					Nonspendable
154,535					Restricted
21,251,835					Committed
4,602,384					Assigned
40,812,534					Unassigned
67,193,265					Total General Fund
					All other governmental funds:
440,129					Nonspendable
95,771,366					Restricted
3,913,563					Committed
18,256,798					Assigned
-					Unassigned
118,381,856					Total all other governmental funds
185,575,121					Total governmental funds, previously reported
-					Prior period adjustment
$ 185,575,121					Total governmental funds, restated

LOUDOUN COUNTY PUBLIC SCHOOLS
Changes in Fund Balances of Governmental Funds

(modified accrual basis of accounting)

	Fiscal Years				
	2015	**2014**	**2013**	**2012**	**2011**
Revenues					
Intergovernmental	$ 1,053,666,344	$ 983,141,375	$ 941,325,334	$ 763,402,998	$ 761,007,710
Charges for services	18,348,715	17,722,817	18,642,425	19,599,523	17,493,004
Revenue from the use of money and property	1,717,382	2,067,086	1,891,239	1,628,008	1,731,045
Recovered costs	2,320,500	2,343,701	1,272,925	990,753	777,941
Other	4,091,304	4,624,365	3,639,900	3,438,034	2,705,833
Total revenues	1,080,144,245	1,009,899,344	966,771,823	789,059,316	783,715,533
Expenditures					
Current:					
Instruction	709,551,487	663,454,627	640,643,449	593,019,659	548,789,942
Support services	190,099,253	181,309,660	181,711,775	173,163,246	157,287,431
Technology	29,484,711	22,659,717	20,720,834	19,094,197	18,342,289
Capital outlay	100,059,392	154,728,949	90,315,280	96,087,978	82,810,759
Debt service:					
Principal	8,738,395	7,865,235	7,859,917	8,420,767	8,764,638
Interest	264,102	294,160	363,146	500,063	648,557
Total expenditures	1,038,197,340	1,030,312,348	941,614,401	890,285,910	816,643,616
Excess (deficiency) of revenues over (under) expenditures	41,946,905	(20,413,004)	25,157,422	(101,226,594)	(32,928,083)
Other financing sources (uses)					
Capital leases and installment purchases	10,000,000	10,000,000	9,926,000	7,000,000	8,144,000
Transfers in	-	-	55,359	-	-
Transfers out	(5,346,761)	(3,662,419)	(1,936,359)	(2,582,000)	(1,700,000)
Total other financing sources (uses), net	4,653,239	6,337,581	(1,881,000)	4,418,000	6,444,000
Special items	(26,764,758)	-	-	-	-
Net change in fund balances	$ 19,835,386	$ (14,075,423)	$ 23,276,422	$ (96,808,594)	$ (26,484,083)
Debt service as a percentage of noncapital expenditures	0.96%	0.93%	0.97%	1.12%	1.28%

Table D

(modified accrual basis of accounting)

Fiscal Years 2010	2009	2008	2007	2006	
					Revenues
$ 768,199,054	$ 859,924,227	$ 768,438,098	$ 770,342,662	$ 678,997,366	Intergovernmental
16,619,601	15,664,021	15,388,368	13,069,926	12,052,641	Charges for services
1,826,239	1,171,360	1,535,936	6,058,266	1,397,643	Revenue from the use of money and property
1,643,011	1,687,246	1,176,560	767,119	510,964	Recovered costs
2,161,982	1,961,592	1,613,301	1,411,173	1,250,710	Other
790,449,887	880,408,446	788,152,263	791,649,146	694,209,324	Total revenues
					Expenditures
					Current:
553,924,417	557,051,356	526,299,948	466,899,170	414,308,448	Instruction
157,707,112	161,757,163	154,165,882	141,251,648	126,382,907	Support services
12,434,855	22,060,892	22,045,908	16,225,607	17,273,691	Technology
129,654,365	68,959,648	157,201,684	108,107,673	74,235,179	Capital outlay
					Debt service:
10,630,454	9,210,454	8,858,747	6,751,004	5,289,038	Principal
824,868	836,791	703,814	573,528	396,625	Interest
865,176,071	819,876,304	869,275,983	739,808,630	637,885,888	Total expenditures
(74,726,184)	60,532,142	(81,123,720)	51,840,516	56,323,436	Excess (deficiency) of revenues over (under) expenditures
					Other financing sources (uses)
6,363,000	10,000,000	9,959,818	8,276,000	9,966,000	Capital leases and installment purchases
-	1,267,444	-	-	-	Transfers in
(2,307,825)	(9,525,627)	(1,102,000)	(2,105,254)	(658,815)	Transfers out
4,055,175	1,741,817	8,857,818	6,170,746	9,307,185	Total other financing sources (uses), net
-	-	-	-	-	
$ (70,671,009)	$ 62,273,959	$ (72,265,902)	$ 58,011,262	$ 65,630,621	**Net change in fund balances**
1.56%	1.34%	1.34%	1.16%	1.01%	Debt service as a percentage of noncapital expenditures

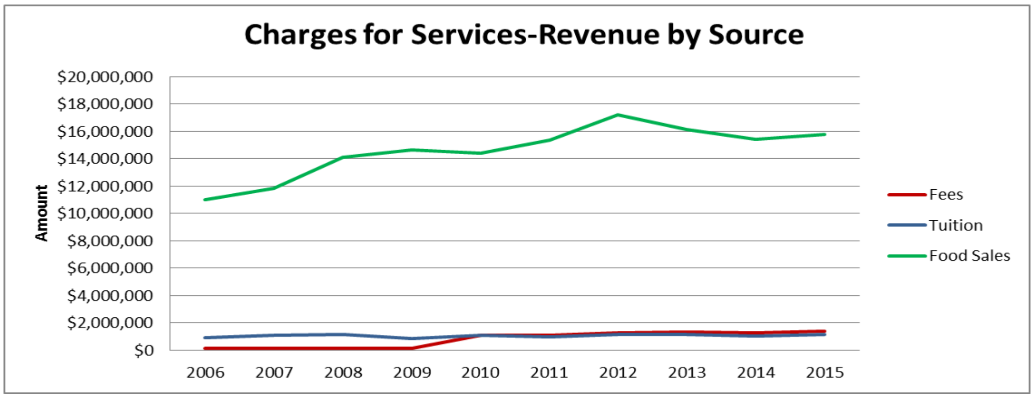
LOUDOUN COUNTY PUBLIC SCHOOLS

Table E

Charges for Services Revenue by Source(1)

(modified accrual basis of accounting)

Fiscal Year	Food Sales	Tuition	Testing Fees (2)	Driver's ED Fees	Miscellaneous Fees	Total
2015	$ 15,786,657	$ 1,172,247	$ 1,078,542	$ 288,773	$ 22,496	$ 18,348,715
2014	15,422,559	1,045,638	985,557	255,874	13,189	17,722,817
2013	16,130,453	1,191,128	1,073,836	227,701	19,307	18,642,425
2012	17,197,010	1,138,757	1,058,137	188,173	17,445	19,599,522
2011	15,390,731	981,109	945,699	145,629	29,836	17,493,004
2010	14,435,361	1,081,648	928,704	122,043	51,765	16,619,521
2009	14,640,606	868,075	15,516	124,637	15,187	15,664,021
2008	14,106,127	1,157,468	10,406	85,928	28,439	15,388,368
2007	11,846,813	1,083,766	8,169	85,885	45,293	13,069,926
2006	10,982,153	909,146	9,626	85,180	66,536	12,052,641



(1) LCPS' primary own source revenue is charges for services, which consists of food sales, tuition, testing fees, drivers education fees and miscellaneous fees.

(2) LCPS initiated testing fees for AP exams beginning in fiscal year 2010.

LOUDOUN COUNTY PUBLIC SCHOOLS

Table F

School Nutrition Services Sales Price Breakdown

Fiscal	Breakfast		Lunch		
			Student		
Year	Student	Adult	Elementary	Secondary	Adult
2015	$2.10	n/a(1)	$3.10	$3.20	$4.10
2014	$2.00	$2.30	$3.00	$3.10	$4.00
2013	$2.00	$2.25	$3.00	$3.10	$4.00
2012	$2.00	$2.25	$3.00	$3.10	$4.00
2011	$1.70	$1.95	$2.70	$2.80	$3.70
2010	$1.45	$1.70	$2.45	$2.55	$3.45
2009	$1.30	$1.55	$2.30	$2.40	$3.30
2008	$1.30	$1.55	$2.20	$2.30	$3.20
2007	$1.10	$1.35	$2.00	$2.10	$3.00
2006	$0.90	$1.20	$1.85	$1.95	$2.45

(1) Meal price eliminated. Sold a la carte only.

Source: LCPS - School Nutrition Services Office

LOUDOUN COUNTY PUBLIC SCHOOLS

Table G

Food Sales - Annual Meals Served

Fiscal Year	Students Served Breakfasts	Students Served Free & Reduced Breakfasts	Students Served Lunches	Students Served Free & Reduced Lunches	Adult Lunches
2015	161,687	547,787	2,378,468	1,541,255	53,926
2014	155,358	547,787	2,429,268	1,490,766	66,313
2013	184,562	548,712	2,717,735	1,507,780	86,095
2012	207,876	540,122	2,999,644	1,453,241	90,557
2011	208,513	465,932	3,055,697	1,298,501	90,979
2010	190,321	394,550	3,137,934	1,187,122	101,503
2009	192,864	324,346	3,441,144	1,059,420	123,246
2008	196,708	248,202	3,679,578	894,919	137,990
2007	167,242	185,823	3,517,888	765,206	137,903
2006	137,707	153,703	3,468,683	712,138	149,461

Source: LCPS - School Nutrition Services Office

LOUDOUN COUNTY PUBLIC SCHOOLS

Table H

Ratios of Outstanding Debt by Type

Fiscal Year	Capital Leases	Total Reporting Entity	Percentage of Personal Income	Debt Per Capita
2015	$ 24,332,957	$ 24,332,957	0.12%	69
2014	23,071,352	23,071,352	0.11%	66
2013	20,936,587	20,936,587	0.10%	62
2012	18,870,504	18,870,504	0.10%	58
2011	20,291,271	20,291,271	0.11%	64
2010	20,911,909	20,911,909	0.12%	67
2009	25,179,363	25,179,363	0.16%	83
2008	24,389,818	24,389,818	0.16%	82
2007	23,288,748	23,288,748	0.16%	80
2006	21,763,752	21,763,752	0.17%	79

Source: LCPS Comprehensive Annual Financial Reports 2009-2015
County Comprehensive Annual Financial Reports 2006-2008

LOUDOUN COUNTY PUBLIC SCHOOLS

Table I

Demographic Statistics

Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	School Enrollment (3)
2015	363,524	$ 22,964,094,669	$ 63,171	4.0%	72,433
2014	351,611	21,109,317,996	60,036	4.4%	70,858
2013	338,685	20,035,249,860	59,156	4.6%	68,289
2012	327,618	19,553,225,094	59,683	4.5%	65,668
2011	319,545	18,838,136,385	58,953	4.7%	63,220
2010	312,311	16,958,799,611	54,301	5.0%	60,096
2009	304,964	15,696,192,116	51,469	5.3%	57,009
2008	298,420	15,502,919,000	51,950	2.9%	54,047
2007	289,397	14,542,778,044	50,252	2.2%	50,478
2006	276,542	13,060,525,576	47,228	2.4%	47,361

(1) County Management and Financial Services
(2) Virginia Employment Commission for the month of June
(3) Department of Pupil Services, for the end of September of the given fiscal year

LOUDOUN COUNTY PUBLIC SCHOOLS

Table J

Principal Employers in the County of Loudoun, Virginia

Current Year and Nine Years Ago

	June 30, 2015			June 30, 2006		
Employer	**Rank**	**Number of Employees (1)**	**Percentage of Total County Employment (2)**	**Rank**	**Number of Employees (1)**	**Percentage of Total County Employment (2)**
Loudoun County Public Schools	1	9,822	6.53%	1	7,468	6.20%
County of Loudoun	2	3,584	2.38%	3	3,250	2.64%
United Air Lines	3	1,000-3,500	1.50%	6	1,000-3,250	1.72%
M. C. Dean, Inc	4	1,000-3,500	1.50%			
Orbital Sciences Corporation	5	1,000-3,500	1.50%		1,000-3,250	1.72%
U.S. Department of Homeland Security	6	1,000-3,500	1.50%	7	1,000-3,250	1.72%
Verizon Business (formerly MCI Worldcom)	7	1,000-3,500	1.50%	4		
United States Postal Service	8	1,000-3,500	1.50%	10	1,000-3,250	1.72%
Raytheon Company	9	1,000-3,500	1.50%	-		
Loudoun Hospital Center	10	1,000-3,500	1.50%	8	1,000-3,250	1.72%
America Online			-	5	1,000-3,250	1.72%
Atlantic Coast Airlines United Express			-	5	1,000-3,250	1.72%
Toll Brothers, Inc			-	9	1,000-3,250	1.72%
Totals			20.91%			22.60%

(1) Source: Virginia Employment Commission, 4th Quarter 2013 and 2004, Loudoun County Public Schools, and County Department of Management and Financial Services

(2) Percentages are based on the midpoint of the employment range and average total County employment of prior calendar year according to the Virginia Employment Commission.

LOUDOUN COUNTY PUBLIC SCHOOLS

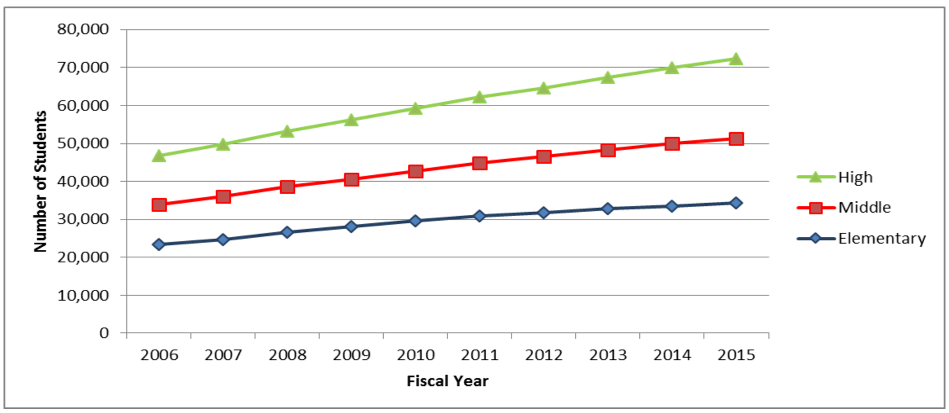
Table K

Enrollment Trend

Last Ten Fiscal Years

Fiscal Year	Grades K-5	Grades 6-8	Grades 9-12	Total
2015	34,247	17,121	21,038	72,406
2014	34,487	16,493	19,816	70,796
2013	32,750	15,623	18,980	67,353
2012	33,194	14,904	18,002	66,100
2011	30,895	13,956	17,392	62,243
2010	29,567	13,237	16,401	59,205
2009	28,014	12,634	15,499	56,147
2008	26,570	11,982	14,785	53,337
2007	24,727	11,324	13,757	49,808
2006	23,355	10,585	12,774	46,714

Total LCPS Student Growth



Source: LCPS Department of Planning & Legislative Services

LOUDOUN COUNTY PUBLIC SCHOOLS

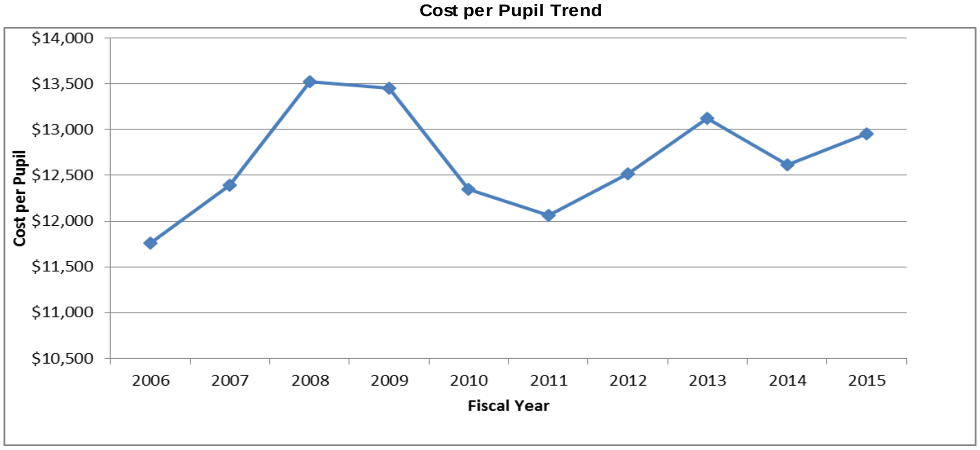
Table L

Cost per Pupil

Last Ten Fiscal Years

Fiscal Year		Cost per Pupil
2015	$	12,951
2014		12,611
2013		13,121
2012		12,105
2011		12,062
2010		12,345
2009		13,449
2008		13,520
2007		12,388
2006		11,759

Cost per Pupil Trend



Source: LCPS Budget Office

LOUDOUN COUNTY PUBLIC SCHOOLS

Table M

Scholastic Assessment Test (SAT) Scores

Comparison of County of Loudoun, VA, Commonwealth of Virginia, and National Averages
Last Ten Fiscal Years

	Combined SAT Scores - Critical Reading, Math and Writing (1)		
Fiscal Year	County of Loudoun	Commonwealth of Virginia	National
2015	1612	1533	1490
2014	1611	1530	1497
2013	1606	1528	1498
2012	1590	1517	1498
2011	1592	1516	1500
2010	1596	1518	1506
2009	1592	1516	1505
2008	1573	1519	1507
2007	1557	1517	1508
2006	1561	1525	1518

(1) The writing section of the SAT started in 2006, for a possible combined score of 2400. For the fiscal years prior to 2006, the maximum possible score was 1600.

Source: LCPS Office of Testing

LOUDOUN COUNTY PUBLIC SCHOOLS

Table N

Average Class Size - Students per Classroom Teacher

Last Ten Fiscal Years

Fiscal Year	Elementary	Middle/ Intermediate	High
2015	23.0	23.6	27.9
2014	24.0	23.6	27.9
2013	24.0	23.6	27.9
2012	24.0	23.6	27.9
2011	24.0	23.6	27.9
2010	23.0	22.6	26.9
2009	23.0	22.6	26.9
2008	22.0	21.6	25.9
2007	22.0	21.6	25.9
2006	22.5	22.1	26.1

Source: LCPS Budget Office

LOUDOUN COUNTY PUBLIC SCHOOLS
Full-Time Equivalent Employees by Function - All Funds

Last Ten Fiscal Years

Function	Fiscal Year 2015	2014	2013	2012	2011
School based:					
Instruction	5,632.7	5,382.4	5,188.6	5,041.3	4,829.5
Bus drivers & attendants	888.5	888.5	876.5	899.5	904.5
Teacher assistants	1,148.2	1,285.7	1,255.6	1,213.3	1,142.7
Custodians	519.7	493.0	510.5	494.5	485.0
Other school support	418.4	402.4	394.9	382.4	357.8
Administration	283.5	291.0	283.0	277.0	266.0
Instructional support	171.1	199.1	191.1	187.7	154.0
Nurses & health clinic specialists	94.9	92.4	90.4	87.8	86.8
Total school based FTE's	9,157.0	9,034.5	8,790.6	8,583.5	8,226.3
Non-school based:					
Secretarial/clerical	157.5	141.5	140.0	144.5	150.2
Other support staff	372.5	334.2	338.2	324.7	314.3
Administration	134.5	128.0	128.0	124.7	142.7
Total non-school based FTE's	664.5	603.7	606.2	593.9	607.2
Total FTE's	9,821.5	9,638.2	9,396.8	9,177.4	8,833.5

Source: LCPS Budget Office

Table O

Fiscal Year					
2010	**2009**	**2008**	**2007**	**2006**	**Function**
					School based:
4,766.6	4,707.6	4,540.9	4,267.2	3,986.6	Instruction
876.5	862.5	823.0	778.0	728.0	Bus drivers & attendants
1,102.8	1,093.7	995.7	909.7	848.8	Teacher assistants
486.0	482.0	468.0	435.5	432.5	Custodians
343.5	339.5	332.5	319.5	310.6	Other school support
257.0	249.0	246.0	218.1	214.0	Administration
171.5	174.8	170.3	154.6	146.2	Instructional support
77.8	76.8	73.8	68.0	69.0	Nurses & health clinic specialists
8,081.7	7,985.9	7,650.2	7,150.6	6,735.7	Total school based FTE's
					Non-school based:
148.5	148.5	148.5	139.0	140.5	Secretarial/clerical
319.8	319.8	298.8	267.6	259.8	Other support staff
99.8	99.8	87.3	86.5	79.5	Administration
568.1	568.1	534.6	493.1	479.8	Total non-school based FTE's
8,649.8	8,554.0	8,184.8	7,643.7	7,215.5	Total FTE's

LOUDOUN COUNTY PUBLIC SCHOOLS
Miscellaneous Statistics

Last Ten Fiscal Years

	Fiscal Year				
Function	2015	2014	2013	2012	2011
Attendance percentage	96.4%	96.3%	96.2%	96.4%	96.2%
Drop-out rate	0.66%	0.66%	0.67%	0.30%	0.60%
English as a Second Language students served	6,768	5,824	4,563	4,920	4,922
Financial aid received by graduates	$38,792,416	$43,416,413	$34,931,604	$28,800,000	$23,490,561
Graduates pursuing further education:					
Number of students	4,665	4,222	4,351	4,222	3,649
Percent of students	91.2%	90.1%	91.3%	90.2%	92.9%
Percent of staff that is school-based	92.6%	93.7%	92.9%	92.9%	93.1%
National Merit Scholarship Committee Semifinalists	36	40	14	28	25
Gifted & Talented students served	6,099	6,557	6,554	6,554	6,359

Source: LCPS Public Information Office

Table P

Fiscal Year					
2010	2009	2008	2007	2006	Function
96.0%	96.2%	96.0%	96.0%	96.0%	Attendance percentage
0.85%	0.62%	0.72%	0.89%	0.90%	Drop-out rate
4,880	4,416	4,250	3,728	3,624	English as a Second Language students served
$27,706,456	$20,635,763	$16,593,721	$12,224,554	$8,200,200	Financial aid received by graduates
					Graduates pursuing further education:
3,251	3,434	3,258	2,798	2,617	Number of students
89.5%	89.8%	89.1%	89.0%	92.0%	Percent of students
92.1%	93.5%	93.0%	94.4%	94.4%	Percent of staff that is school-based
20	18	17	7	7	National Merit Scholarship Committee Semifinalists
5,959	5,647	5,097	4,901	3,994	Gifted & Talented students served

LOUDOUN COUNTY PUBLIC SCHOOLS
Capital Assets Statistics
by Function

Function	Fiscal Year 2015	2014	2013	2012	2011
Elementary Schools:					
Buildings	56	55	53	52	52
Square footage	4,093,488	3,991,121	3,790,826	3,690,349	3,690,349
Capacity	38,163	35,739	33,945	33,070	33,070
Middle Schools:					
Buildings	15	14	14	14	13
Square footage	2,418,083	2,234,279	2,234,279	2,234,279	2,056,399
Capacity	16,956	16,696	16,696	16,696	15,346
High Schools:					
Buildings*	14	13	13	12	12
Square footage	3,463,864	3,463,864	3,149,764	2,874,190	2,874,190
Capacity	22,212	22,570	20,523	18,723	18,723
Alternative Schools:					
Buildings*	2	2	2	2	2
Square footage	123,771	127,074	124,862	124,862	124,862
School Buses	859	880	854	854	840

Source: LCPS Construction Division

*** CS Monroe Technology Center classification changed from High School to Alternative to better reflect actual function.**

Table Q

2010	2009	2008	2007	2006	Function
					Elementary Schools:
51	50	47	44	44	Buildings
3,588,208	3,497,213	3,227,060	2,919,888	2,919,888	Square footage
32,318	31,731	29,299	26,598	26,818	Capacity
					Middle Schools:
13	13	13	12	12	Buildings
2,056,399	2,029,747	2,029,747	1,860,987	1,860,987	Square footage
15,476	15,403	15,300	13,419	13,356	Capacity
					High Schools:
10	10	10	11	11	Buildings*
2,342,849	2,342,849	2,342,849	2,406,968	2,406,968	Square footage
15,118	15,206	15,257	15,161	14,980	Capacity
					Alternative Schools:
2	2	2	1	1	Buildings*
124,862	124,862	124,862	47,022	47,022	Square footage
780	731	742	744	675	School Buses

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RIVERSIDE HIGH SCHOOL