

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



## Loudoun County Public Schools

A Component Unit of the County of Loudoun, Virginia



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended  
June 30, 2017**

## 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**



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# LOUDOUN COUNTY PUBLIC SCHOOLS

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017

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# Introductory Section

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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.



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## LOUDOUN COUNTY PUBLIC SCHOOLS

OFFICE OF THE SUPERINTENDENT

21000 Education Court

Ashburn, VA 20148

571-252-1020

November 27, 2017

Loudoun County School Board  
21000 Education Court  
Ashburn, Virginia 20148

Dear Chairman Morse, 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, 2017. 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, 2017. We specifically direct you to the section entitled, "Management's Discussion and Analysis" (MD&A) for 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 uniform guidance. 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 audited, 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

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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

---

LCPS is the third largest of 132 school divisions in Virginia and continues to be one of the fastest growing. Enrollment growth continues to be the largest factor impacting the FY18 budget at 3.3% this school year. Next fall we will welcome approximately 2,957 additional students into our classrooms and serve a total of 81,622 in our 90 schools. That enrollment requires additional staffing needs of 470.7 School Based FTE's or 92.8%, ranking us just below Fairfax County at 93.2%.

New schools are needed to meet student membership growth; therefore, we are forecasting five additional schools by FY21. We are continuing to develop Academies of Loudoun, which combines Academy of Engineering and Technology, Academy of Science and Monroe Advanced Technical Academy into one facility opening fall 2018.

In the last 20 years, we have added 55 of our 89 schools (61.2%). Lincoln Elementary School is our oldest school with an opening year of 1926.

LCPS has two charter schools as component units. Hillsboro Charter Academy (HCA) opened in FY17 in addition to Middleburg Community Charter School (MCCS) that opened in FY15. Funding for the charter schools is outlined in their specific contract agreements approved by the Loudoun County School Board where operation and maintenance expenditures are provided as a per pupil payment from LCPS.

Loudoun's average cost per pupil for the 2016-2017 school year is \$14,332, 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.

In FY17, staffing increased to 10,640.2 FTE'S to accommodate increased enrollment, the opening of an elementary school and the planned opening of a middle school in FY18, as well as expanding full-day Kindergarten to 54% of all students.

On April 24, 2017, the Loudoun County Board of Supervisors approved an appropriation for LCPS of \$1,113,478,387 for FY18, which was an increase of \$82.9 million, or 8% from FY17 appropriated levels.

As LCPS sustains its comprehensive educational programs, school staff will focus on achieving success in the following areas: Continued focus on the expansion of the Full Day Kindergarten to 85% by 2020.

Encourage academic achievement through sound instructional strategies as well as developing programs to improve SOL test results.

Open the new Academies of Loudoun for the 2017-2018 school year.

Increase efficiency and effectiveness by developing and implementing a strategic Bus Fleet Management Program.

Implement effective inclusion of students with disabilities in general education classrooms by 2020.

Maintain a progressive technology program with individualized computer-based instruction.

To continue to encourage parental and community involvement.

To offer fair and competitive compensation to retain and attract a highly capable workforce.

To pursue excellence in academic achievement for all LCPS students.

Developing a framework for professional learning for the district.

## Major Initiatives

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The mission of LCPS 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 LCPS 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.

The County is the third largest of 132 school divisions in Virginia and continues to be one of the fastest growing. Student membership is projected to continue to grow an average of 2.4 percent over the next four years, or 5,000 additional students by the 2020-2021 school year, but then begins to slow down.

On September 30, 2016, LCPS division enrollment was 79,001 students - an increase of nearly 4 percent or 2,738 students from the 2015-16 (September 30, 2015) school year. Projections for this six-year CIP planning period indicate an average annual increase of 2 percent. By the 2022-23 school year, the final year of the CIP planning period, LCPS is projected to have an enrollment of 88,361 students.

To meet the demand of student growth, there are five additional schools forecasted by FY21 for a total of 95 buildings.

## Academic Achievement

LCPS had a 95.5 percent on-time graduation rate in 2017. The Class of 2017 earned \$54,768,301 in grants and scholarships and 91.2 percent moved on to higher education.

All of the 13 LCPS high schools eligible to be ranked nationally by *The Washington Post's* Most Challenging Schools received this honor in 2017.

In 2017, College Board revised the Scholastic Assessment Test (SAT) test, so this year's results cannot be compared to previous years. LCPS' combined SAT score of 1155 exceeded state and national averages. LCPS' total average exceed the state average by 60 points and the national average by 111 points.

LCPS has 14 Schools to Watch, as determined by the *National Forum* to Accelerate Middle Grades Reform, the most of any jurisdiction in America.

Six LCPS high schools have been ranked in the *U.S. News & World Report* 2017 Best High Schools report. Stone Bridge, Briar Woods and Dominion High Schools received a gold medal, and Broad Run, Loudoun County and Loudoun Valley High Schools received a silver medal. A seventh LCPS high school, Rock Ridge, was awarded a bronze medal.

Fifteen LCPS schools earned the 2017 Board of Education Excellence Award. An additional 32 schools earned the Board of Education Distinguished Achievement Award.

The 2018 Niche website rankings list LCPS as the number two school district in Virginia. Niche gave LCPS an overall grade of "A+". LCPS was also ranked as the fourth safest district and the seventh Best Places to Teach in Virginia.

## 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, the 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. Approximately 2,500 facility use requests were processed. Community groups used school gymnasiums for recreational basketball, volleyball and other indoor activities. School athletic fields were used in for community recreational programs. LCPS facilities were also utilized by churches for church activities.

## Future Challenges

The quickly changing community and ever-increasing student population creates challenges for LCPS as it focuses on sustaining its comprehensive educational programs. Some of the challenges facing LCPS are:

- 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.
- Employee compensation continues to be a priority for the School Board. In FY18, all eligible employees will receive a step increase and those employees at the top step of their scale will receive a one-time 1% payment. Further restructuring on the teacher salary scale was done to help alleviate the sag that occurs in mid-years when compared to surrounding jurisdictions.

## **Management Controls**

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

### **Internal Controls**

The Office of Financial Services provides guidance and support to all departments, divisions, and schools throughout LCPS in the areas of Financial Reporting, School Activity Fund Accounting, and Internal Controls. In great part, this is accomplished by ensuring all transactions are recorded timely and consistently in accordance with Generally Accepted Accounting Principles (GAAP), governmental accounting standards as promulgated by the Governmental Accounting Standards Board (GASB), guidelines provided through the Auditor of Public Accounts for the Commonwealth of Virginia (APA), and the United States Office of Management and Budget (OMB).

### **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**

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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 2016. 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 Generally Accepted Accounting Principles (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 2016. 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**

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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 GASB, GFOA, and the ASBO.

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 CAFR. Continued 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.

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.

Respectfully submitted,



Dr. Eric Williams  
Division Superintendent



E. Leigh Burden  
Assistant Superintendent for  
Business and Financial Services

# School Board Members and Administration

Loudoun County Public Schools

As of June 30, 2017

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## SCHOOL BOARD

**Jeff Morse**  
Chairman  
*Dulles District*

**Brenda L. Sheridan**  
Vice Chairman  
*Sterling District*

**Eric Hornberger**  
*Ashburn District*

**Debbie K. Rose**  
*Algonkian District*

**Jill A. Turgeon**  
*Blue Ridge District*

**Joy R. Maloney**  
*Broad Run District*

**Eric J. DeKenipp**  
*Catoctin District*

**Tom C. Marshall**  
*Leesburg District*

**Beth A. Huck**  
*At Large*

## ADMINISTRATION

**Dr. Eric Williams**  
Superintendent

**Dr. Michael Richards**  
Chief of Staff

**Cynthia B. Ambrose**  
Assistant Superintendent for Instruction

**Dr. Kimberly L. Hough**  
Assistant Superintendent Human Resources and Talent  
Development

**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

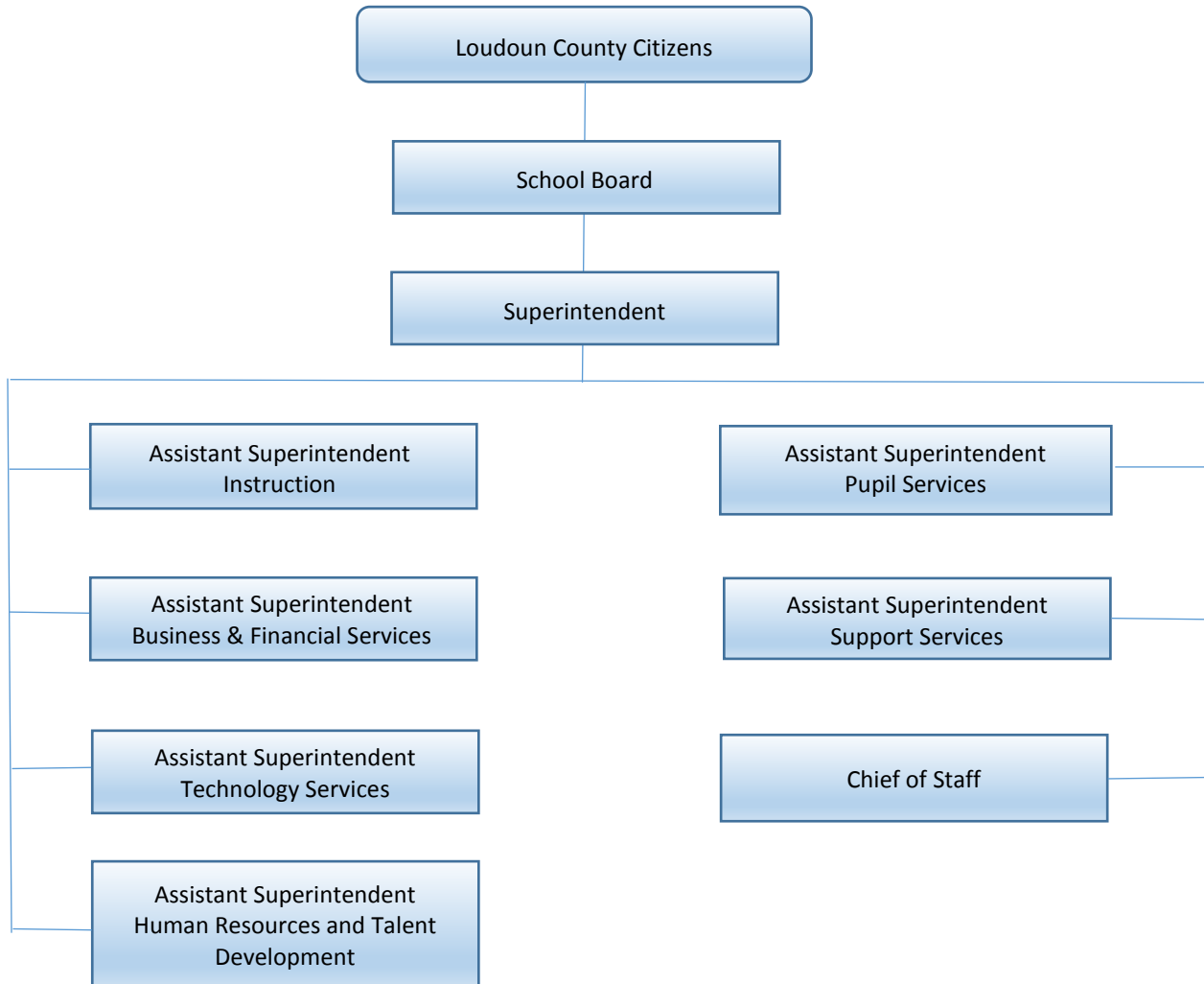
**Dr. Richard A. Contartesi**  
Assistant Superintendent for Technology Services

**Stephen L. DeVita**  
Division Counsel

**Christine E. Coleman**  
Clerk of the School Board



# Organizational Chart



# Awards for Excellence in Financial Reporting

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## 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 eighth year ended June 30, 2016. 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.



## 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 eighth year ended June 30, 2016. 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.





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## Financial Section

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The **Financial Section** includes the report of the independent auditor with 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

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## **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, the aggregate discretely presented component units, 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, 2017, 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 3% 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") and Hillsboro Charter Academy (the "HCA"), LCPS' discretely presented component units. The financial statements of the Student Activity Funds, MCCS and HCA 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, MCCS and HCA, 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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Student Activity Funds, MCCS and HCA 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 audit 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Loudoun County Public Schools, as of June 30, 2017, 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.

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 27, 2017, 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.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Tysons Corner, Virginia  
November 27, 2017

# Management's Discussion and Analysis

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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 units' financial position 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, 2017. 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 of resources of the total reporting entity, which includes the Charter School component units, exceeded liabilities and deferred inflows of resources (net position) by \$917.5 million at June 30, 2017. Of this amount, \$1,634.3 million is net investment in capital assets.
- At the close of the fiscal year, total revenue of LCPS amounted to \$1,187.9 million, while total expenses incurred were \$1,110.5 million, which resulted in an increase in net position of \$77.4 million or 9.2 percent, from the net increase of \$129.1 million for fiscal year 2016.
- Fiscal year ended June 30, 2017 reported costs of governmental activities (\$1,106.3 million), which exceeded program revenues (charges for services, \$21.5 million;

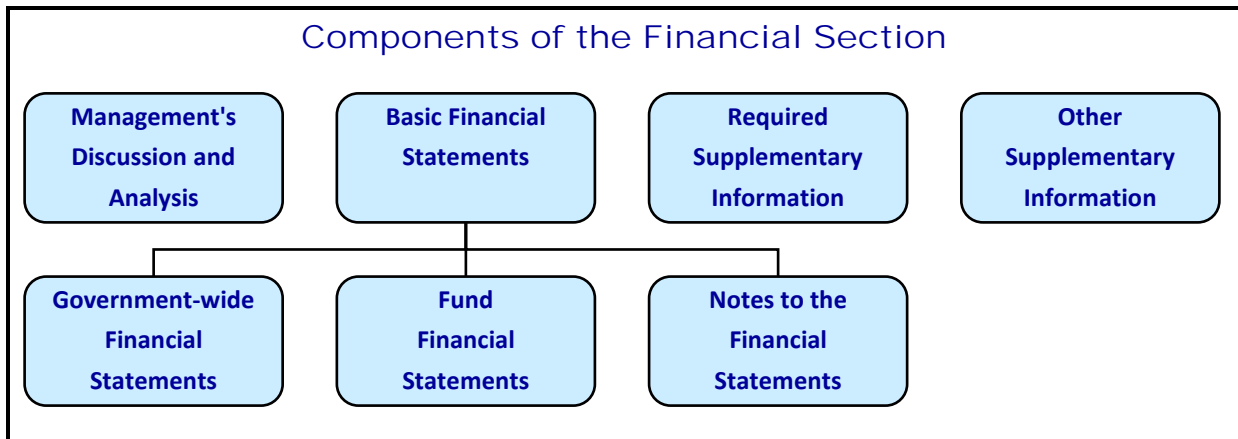
operating grants and contributions, \$35.0 million; and capital grants and contributions, \$112.1 million) by 937.7 million.

- 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 \$1,015.0 million, were sufficient to cover the excess of programs' costs over revenues.
- The Charter Schools ended by reporting 4.2 million in operating grants and contributions, and charges for services of .03 million, while total expenses incurred were \$4.2 million, which resulted in substantially no change in net position for 2017.

### FUND FINANCIAL STATEMENTS

- LCPS' governmental funds reported a combined fund balance of \$113.2 million at June 30, 2017, an increase of \$1.3 million over the prior year.
- At June 30, 2017, the General Fund reported an ending fund balance of \$40.6 million, an increase of \$18.5 million from June 30, 2016.

## Components of the Financial Section



## 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 units 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 units.

### GOVERNMENT- WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the activities of LCPS and its component units, as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report LCPS' and its component units' 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 units 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 the ability of LCPS and its component units 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 units', 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 two component units' financial position, as a whole, is improving or diminishing.

All of LCPS' and its component units' 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 \$917.4 million at the close of fiscal year 2017, representing an increase of \$77.3 million or a 9.2 percent increase from the net position at June 30, 2016.

By far, the largest portion of LCPS' net position (178.1 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 \$25.1 million at June 30, 2017.

*The following table provides a summary of net position as of June 30, 2017 and 2016:*

#### SUMMARY OF NET POSITION

As of June 30

(Dollars in Millions-may not foot due to rounding)

	Primary Government			Component Units		
	2017	2016	Variance	2017	2016	Variance
<b>ASSETS</b>						
Current and other assets	\$ 290.7	\$ 273.1	\$ 17.6	\$ 0.2	\$ 0.1	\$ 0.1
Capital assets, net	1,699.2	1,608.7	90.5	-	-	-
Total assets	1,989.9	1,881.8	108.1	0.2	0.1	0.1
<b>DEFERRED OUTFLOWS</b>						
OF RESOURCES	199.6	117.7	81.9	-	-	-
<b>LIABILITIES</b>						
Current liabilities	136.7	123.7	13.0	0.1	-	0.1
Long-term liabilities	1,101.4	969.8	131.6	-	-	-
Total liabilities	1,238.1	1,093.5	144.6	0.1	-	0.1
<b>DEFERRED INFLOWS</b>						
OF RESOURCES	34.0	66.0	(32.0)	-	-	-
<b>NET POSITION</b>						
Net Investment in						
capital assets	1,634.3	1,583.6	50.7	-	-	-
Restricted	1.9	3.4	(1.6)	-	-	-
Unrestricted, restated	(718.7)	(746.9)	28.2	0.1	0.1	-
Total net position	\$ 917.4	\$ 840.1	\$ 77.3	\$ 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, 2017 and 2016:

### SUMMARY OF CHANGES IN NET POSITION

For the Fiscal Years Ended June 30

(Dollars in Millions-may not foot due to rounding)

	Primary Government			Component Units		
	2017	2016	Variance	2017	2016	Variance
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 21.5	\$ 19.3	\$ 2.2	\$ -	\$ -	\$ -
Operating grants and contributions	35.0	28.8	6.2	4.2	1.9	2.3
Capital grants and contributions	112.1	106.2	5.9	-	-	-
General revenues:						
Grants and contributions	1,009.2	969.2	40.0	-	-	-
Revenue from the use of money	1.8	2.0	(0.2)	-	-	-
Other	4.1	5.1	(1.0)	-	0.1	-
Total revenues	1,183.7	1,130.6	53.1	4.2	2.0	2.3
<b>EXPENSES</b>						
Instruction:						
Regular	690.0	621.1	68.9	-	-	-
Special	160.6	145.5	15.1	-	-	-
Adult education	0.8	0.7	0.1	-	-	-
Other	1.8	1.7	0.1	-	-	-
Charter Schools	3.3	1.4	1.9	-	-	-
Support Services:						
Administration	26.7	23.0	3.7	-	-	-
Attendance and health	15.0	13.5	1.5	-	-	-
Pupil transportation	56.1	55.6	0.5	-	-	-
Facilities services	4.2	2.3	1.9	-	-	-
Operation and maintenance	84.0	81.9	2.1	-	-	-
School nutrition services	26.1	24.2	1.9	-	-	-
Technology	37.4	30.1	7.3	-	-	-
Charter Schools	-	-	-	4.2	1.9	2.3
Interest on long-term debt	0.3	0.3	-	-	-	-
Total expenses	1,106.3	1,001.4	105.0	4.2	1.9	2.3
Change in net position	77.4	129.1	50.2	-	0.1	(0.1)
Net position, beginning of year	840.1	710.9	129.2	0.1	-	0.1
Net position, end of year	\$ 917.5	\$ 840.1	\$ 79.0	\$ 0.1	\$ 0.1	\$ -

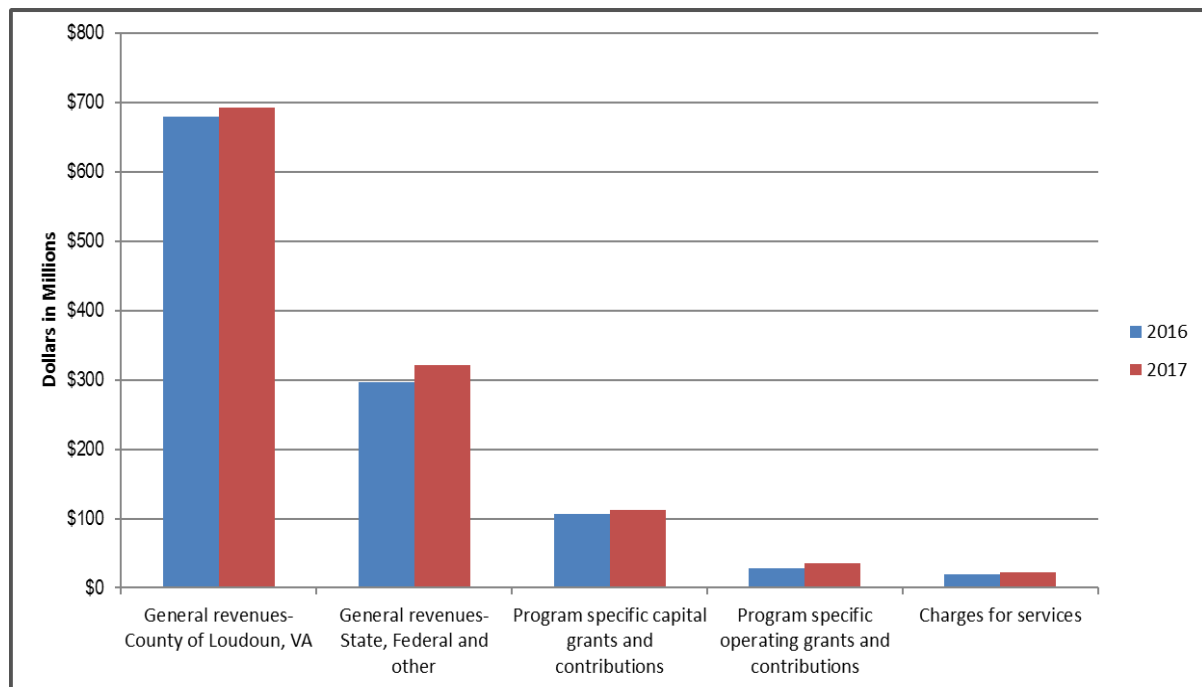


## Revenues

Revenues for LCPS' governmental activities totaled \$1,183.7 million during the fiscal year 2017, representing an increase of \$55.3 million over fiscal year 2016.

*The following chart represents revenues by source for the fiscal years ended June 30, 2017 and 2016:*

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



The events contributing to the increase in revenues during the fiscal year 2017 were:

- Operating grants and contributions increased \$6.2 million, or 21.4 percent, from fiscal year 2016. The increase was a result primarily of increased revenue for funds in regular, special, and adult education (\$1.6 million or 8.6 percent), for school nutrition (\$1.02 million or 11.2 percent).
- Capital grants and contributions increased \$5.9 million from fiscal year 2016 due to an increase in revenue for construction from the County.
- From the previous fiscal year, LCPS received an increase of \$37.2 million in general revenues. LCPS received a 1.9 percent increase, or \$12.7 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 \$27.3 million or 9.4 percent from 2016. All other general revenues – grants and contributions decreased by \$2.8 million from 2016.

## 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 2017 and 2016:

### SUMMARY OF PROGRAM COSTS BY FUNCTION

For the Fiscal Years Ended June 30

(Dollars in Millions-may not foot due to rounding)

Function	Total Cost of Function			Net Cost (Revenue) of Function		
	2017	2016	Percent Variance	2017	2016	Percent Variance
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 690.0	\$ 621.1	11.1%	\$ 679.8	\$ 611.1	11.2%
Special	160.6	145.5	10.4%	148.2	135.4	9.4%
Adult education	0.8	0.7	10.0%	0.2	(0.7)	0.0%
Other	1.8	1.7	8.2%	1.8	1.6	12.5%
Charter schools	3.3	1.4	100.0%	3.3	1.4	100.0%
Support Services:						
Administration	26.7	23.0	16.0%	25.9	23.0	12.4%
Attendance and health	15.0	13.5	10.9%	15.0	13.5	10.9%
Pupil transportation	56.1	55.6	1.0%	56.1	55.6	1.0%
Facilities services	4.2	2.3	82.6%	(107.9)	(103.9)	-3.8%
Operation and maintenance	84.0	81.9	2.6%	84.0	81.9	2.6%
School nutrition services	26.1	24.2	7.9%	(2.7)	(1.4)	92.1%
Technology	37.4	30.1	24.3%	33.8	29.1	16.0%
Interest on long-term debt	0.3	0.3	0.0%	0.3	0.3	0.0%
Total expenses	<u>\$ 1,106.3</u>	<u>\$ 1,001.4</u>	<u>10.5%</u>	<u>\$ 937.7</u>	<u>\$ 847.1</u>	<u>10.7%</u>

The total costs of LCPS' programs for fiscal year 2017 were \$1,106.3 million, which represents an increase of \$104.9 million over fiscal year 2016. Some of the costs of governmental activities were paid by those who directly benefited from the programs (\$23.2 million) and other government and organizations that subsidized certain programs with grants and contributions (\$147.1 million).

As the table above 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 12<sup>th</sup> 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 96.2 percent and 96.9 percent of regular and special instruction expenses, respectively. Regular instruction expenses increased \$68.9 million and special instruction expenses increased \$15.1 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 2017, facilities services and school nutrition services functions were self-supporting with program revenues exceeding program costs by \$107.9 million and \$2.7 million respectively. The primary source of adult education services was operating grants from the Commonwealth of Virginia. 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.

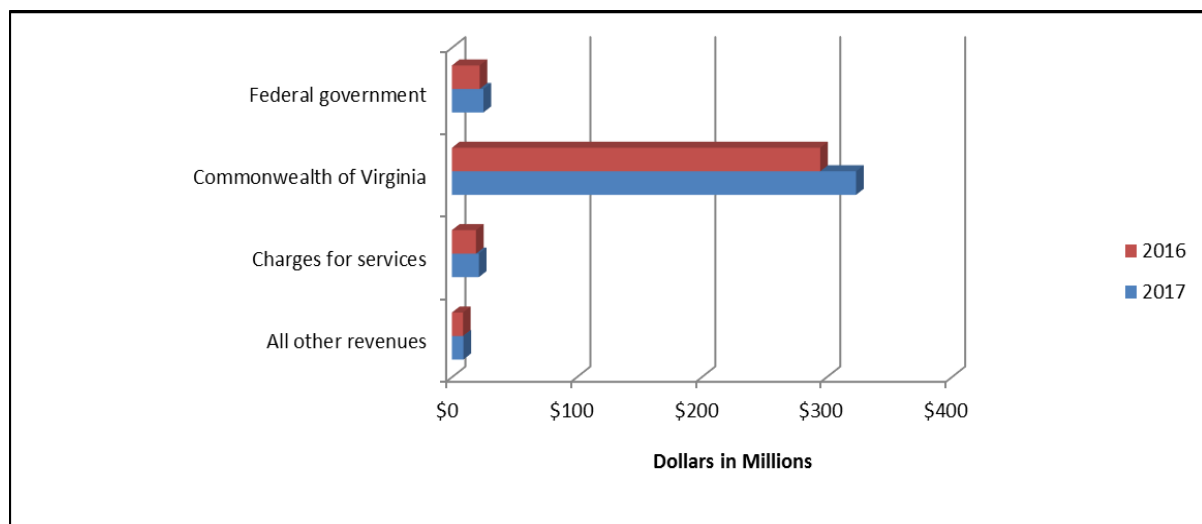
As of June 30, 2017, LCPS' governmental funds, reported a combined fund balance of \$113.2 million, an increase of \$1.3 million, compared to an increase of \$14.2 million at June 30, 2016.

Of the combined fund balance, approximately \$.6 million was nonspendable and not available for future funding, \$1.8 million was restricted by fiscal agents, \$61.1 million was committed by various board actions, and \$34.1 million was assigned to specific contractual and financial planning purposes.

The total revenues for governmental funds in fiscal year 2017 totaled \$1,183.7 million, a 4.5 percent increase over fiscal year 2016. LCPS' primary source of revenue was intergovernmental (from the Federal government, State, and the County) and amounted to \$1,152.9 million in fiscal year 2017, a 4.6 percent increase over fiscal year 2016. All other revenue sources (e.g., charges for services, and recovered costs) totaled \$30.7 million, representing an increase of 9.2 percent over the previous fiscal year.

*The following chart 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, 2017 and 2016:*

### 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 2017 include:

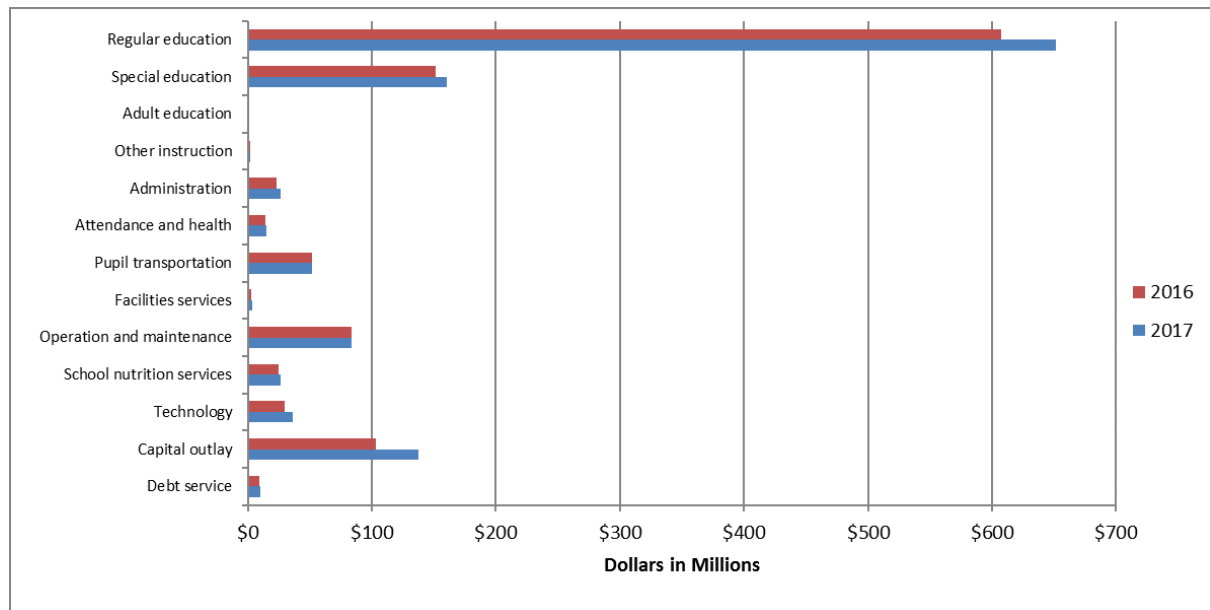
- Funding from the County increased \$18.6 million from fiscal year 2016 to support general LCPS operations. This represents a 2.4 percent increase from fiscal year 2016.
- Revenue from the Federal government increased by \$3.0 million.
- The State allocates one and one-eighths percent of the six percent State sales tax to run programs for school age children.

Sales tax revenue increased \$4.6 million. Other State revenue increased by \$24.1 million from fiscal year 2016.

- LCPS received an additional \$6.3 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 chart compares the expenditures (excluding transfers out) for each LCPS' functional area for the fiscal years ended June 30, 2017 and 2016:

#### 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, 2017 were \$1,205.3 million, an increase of 9.2 percent over fiscal year 2016. Regular and special instruction continue to be LCPS' largest programs.

Special instruction expenditures amounted to \$160.7 million, representing an increase of \$9.3 million, or 6.1 percent. The majority of regular and special instruction expenditures were primarily attributed to salaries and benefits.

For the fiscal year ended June 30, 2017, regular instruction expenditures were \$651.6 million in comparison to \$607.4 million in fiscal year 2016. This represents an increase of \$44.2 million, or 7.3 percent.

Regular and special instruction had a \$53.5 million combined increase in expenditures in comparison to fiscal year 2016, due primarily to 2,686 additional students being educated, and one school 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 2017, expenditures totaled \$83.5 million. Operations and maintenance costs increased by \$ .1 million from the prior year. Capital outlays for the total governmental funds increased by \$33.9 million. Capital outlay expenditures were \$137.3 million compared to \$103.5 million during fiscal year 2016.

The increase of 33.9 percent from the prior year is due mainly to an increase 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 2017 include:

- Expenditures for pupil transportation increased \$ .5 million, or 1.0 percent. This increase represents a change in number of students transported and restructured routes for efficiency.
- Administration, Attendance and Health, and Facilities services expenditures increased \$5.0 million or 18.0 percent from fiscal year 2016.
- From fiscal year 2016, the technology program increased \$6.8 million, or 23.1 percent.

**The General Fund** is the main operating fund of LCPS. At the end of the current fiscal year, the fund balance was \$40.6 million.

The General Fund's revenues increased \$39.1 million, or 4.0 percent, from the previous fiscal year, while expenditures (excluding other financing uses) increased \$63.3 million, or 6.7 percent.

The increase in revenues, the increase in expenditures, the changes to other financing sources and uses resulted in a net increase in fund balance of \$18.5 million from the prior fiscal year.

The total fund balance at June 30, 2017, for the General Fund represents 35.9 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 \$50.4 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 \$103.1 million is an increase of \$4.56 million, or 4.6%, from the previous year. The expenditures of \$124.8 million for fiscal year 2017 is an increase of \$29.1 million from fiscal year 2016, or 30.4 percent.

The increase in revenues and the increase in expenditures resulted in a net decrease in fund balance of \$21.7 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. 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 2017, the amendment to the General Fund's budget was to reclassify budget from Expenditures to Other Financing Uses. Actual revenues were less than the final amended budget by \$12.9 million, while actual expenditures were \$41.2 million less than amended budget.

Of the \$12.9 million revenue reduction, the majority represents a return of revenue to the County of Loudoun.

The \$41.2 million variance between actual and amended budget for expenditures was a result of savings in: regular education of \$10.9 million; operation and

maintenance of \$8.7 million; special education 6.8 million; all other functions of \$12.1 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, 2017:*

#### GENERAL FUND BUDGET AND ACTUAL COMPARISON

For the Fiscal Year Ended June 30, 2017

(Dollars in Millions-may not foot due to rounding)

	Original Budget	Final Budget	Actual	Variance from Final Budget
Total revenues	\$ 1,022.9	\$ 1,022.9	\$ 1,010.0	\$ (12.9)
Total expenditures	(1,030.6)	(1,045.6)	(1,004.4)	41.2
Total other financing uses	0.7	15.6	12.9	(2.7)
Net change in fund balances	<u>\$ (7.0)</u>	<u>\$ (7.0)</u>	<u>\$ 18.5</u>	<u>\$ 25.5</u>

Actual revenues were less than final budgeted amounts by \$12.9 million, while actual expenditures came in under budget by \$41.2 million, or 3.9 percent.

## CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

### CAPITAL ASSETS

At June 30, 2017, LCPS' investment in capital assets for governmental activities totaled \$2,250.3 million. Accumulated depreciation totaled \$551.1 million resulting in capital assets, net of accumulated depreciation of \$1,699.2 million. This represents a net increase in capital assets of \$90.5 million, or 5.6 percent, over the prior year.

Major capital asset events during fiscal year 2017 included the following:

- LCPS acquired \$12.4 million in equipment and machinery.
- Total capital asset disposals amounted to \$11.9 million.
- LCPS recorded the completion of one elementary school and several renovation projects. Costs incurred during fiscal year 2017 amounted to \$58.9 million.
- Costs associated with ongoing projects remained in construction in progress at the fiscal year end. These projects include cumulative construction expenditures of \$122.9 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, 2017 and 2016:

# **NET CAPITAL ASSETS**

As of June 30

(Dollars in Millions-may not foot due to rounding)

Capital Asset Category	Book Value (net of depreciation)*	
	2017	2016
Land	\$ 149.9	\$ 148.3
Construction in progress	147.7	84.2
Buildings	1,373.8	1,354.9
Machinery and equipment	23.6	18.1
Improvements other than buildings	4.2	3.2
Total	<u>\$ 1,699.2</u>	<u>\$ 1,608.7</u>

\* Except for land and construction in progress.

## **LONG-TERM OBLIGATIONS**

As of June 30, 2017, LCPS reported total outstanding debt of \$1101.4 million, compared to \$969.1 million at June 30, 2016. Of this amount, \$940.6 million related to pension liability recorded as a result of new accounting rules implemented during 2016. \$25.1 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 OBLIGATIONS**

As of June 30

(Dollars in Millions-may not foot due to rounding)

	2017	2016
Compensated absences	\$ 26.8	\$ 24.8
Claims liabilities	17.3	14.1
OPEB obligations	25.2	96.1
Leases payable	91.6	25.1
Net pension liability	940.6	809.0
Total	<u>\$ 1,101.4</u>	<u>\$ 969.1</u>

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 3.6%, 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. LCPS added new programs and courses in fiscal year 17's approved budget for the Academy of Engineering & Technology and the Academy of Science in preparation for the opening of the Academies of Loudoun in FY18. There are also additional full-day kindergarten programs starting in FY17. The other major source of LCPS' revenues is driven by student enrollment, particularly in the area of State and Federal aid.

The fiscal year 2018 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 \$82.9 million, or 8 percent, increase in expenditures over the fiscal year 2017 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](http://www.lcps.org).



# Basic Financial Statements

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The **Basic Financial Statements** subsection includes the government-wide statements, which incorporates the governmental activities of Loudoun County Public Schools and its component units, 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.



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**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Net Position**

**Exhibit I**

**June 30, 2017**

	Primary Government	Component Units		
	Governmental Activities	Middleburg Community Charter School	Hillsboro Charter Academy	Total Reporting Entity
<b>ASSETS</b>				
Cash and cash equivalents	\$ 200	\$ 61,569	\$ 131,583	\$ 193,352
Accounts receivable, net	4,917,870	-	1,830	4,919,700
Due from County	262,977,933	-	-	262,977,933
Due from component unit	85,663	-	-	85,663
Due from other governmental units	16,393,313	45,924	-	16,439,237
Inventories	1,146,209	-	-	1,146,209
Prepaid items	138,578	-	-	138,578
Deposits	2,769,000	-	-	2,769,000
Restricted cash on deposit with others	2,281,657	-	-	2,281,657
Nondepreciable capital assets	297,596,532	-	-	297,596,532
Depreciable capital assets, net of depreciation	1,401,600,490	-	-	1,401,600,490
Total assets	1,989,907,445	107,493	133,413	1,990,148,351
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	196,123,000	-	-	196,123,000
<b>LIABILITIES</b>				
Accounts payable	28,007,984	34,685	10,651	28,053,320
Accrued interest payable	282,984	-	-	282,984
Accrued liabilities	81,574,643	4,244	-	81,578,887
Due to agency fund	13,594,486	-	-	13,594,486
Due to Primary Government	-	77,297	8,366	85,663
Contract retainages	8,807,784	-	-	8,807,784
Other liabilities	206,034	-	-	206,034
Unearned revenues	4,201,832	-	-	4,201,832
Long-term liabilities:				
Due within one year:				
Compensated absences	2,887,779	-	-	2,887,779
Claims liabilities	16,762,465	-	-	16,762,465
Leases payable	9,992,314	-	-	9,992,314
Due in more than one year:				
Compensated absences	23,871,175	-	-	23,871,175
Claims liabilities	518,427	-	-	518,427
Net other postemployment benefits obligation	91,598,604	-	-	91,598,604
Leases payable	15,153,593	-	-	15,153,593
Net pension liability	940,610,000	-	-	940,610,000
Total liabilities	1,238,070,104	116,226	19,017	1,238,205,347
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	30,546,000	-	-	30,546,000
<b>NET POSITION</b>				
Net investment in capital assets	1,634,288,422	-	-	1,634,288,422
Restricted for:				
Permanent fund-nonexpendable	26,920	-	-	26,920
Legal agreement	1,824,776	-	-	1,824,776
Unrestricted	(718,725,777)	(8,733)	114,396	(718,620,114)
Total net position	\$ 917,414,341	\$ (8,733)	\$ 114,396	\$ 917,520,004

See accompanying notes to the financial statements.

# LOUDOUN COUNTY PUBLIC SCHOOLS

## Statement of Activities

For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Instruction:				
Regular	\$ 689,981,195	\$ 2,594,197	\$ 7,589,520	\$ -
Special	160,599,364	-	12,439,123	-
Adult education	774,264	273,736	330,629	-
Other	1,839,511	39,256	-	-
Charter Schools	3,269,360	-	-	-
Total instruction	856,463,694	2,907,189	20,359,272	-
Support Services:				
Administration	26,693,802	-	835,010	-
Attendance and health	14,965,974	-	-	-
Pupil transportation	56,126,296	-	-	-
Facilities services	4,249,055	-	-	112,116,942
Operation and maintenance	83,989,938	-	-	-
School nutrition services	26,095,594	18,633,779	10,149,759	-
Total support services	212,120,659	18,633,779	10,984,769	112,116,942
Technology	37,424,763	-	3,654,842	-
Interest on long-term debt	299,611	-	-	-
Total Primary Government	\$ 1,106,308,727	\$ 21,540,968	\$ 34,998,883	\$ 112,116,942
<b>Component Units:</b>				
Middleburg Community Charter School	\$ 2,309,949	\$ -	\$ 2,207,947	\$ -
Hillsboro Charter Academy	\$ 1,916,271	\$ 31,001	\$ 1,960,826	\$ -

### General revenues:

Grants and contributions not restricted to specific purposes:

    Federal government

    Commonwealth of Virginia

    County of Loudoun, Virginia

Revenue from the use of money and property

Other

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to the financial statements.

## Exhibit II

Net (Expenses) Revenues and Changes in Net Position				
Primary Government	Component Units		Total Reporting Entity	Functions/Programs
Governmental Activities	Middleburg Community Charter School	Hillsboro Charter Academy		
<b>Primary Government:</b>				
Instruction:				
\$ (679,797,478)			\$ (679,797,478)	Regular
(148,160,241)			(148,160,241)	Special
(169,899)			(169,899)	Adult education
(1,800,255)			(1,800,255)	Other
(3,269,360)			(3,269,360)	Charter School
<u>(833,197,233)</u>			<u>(833,197,233)</u>	Total instruction
Support Services:				
(25,858,792)			(25,858,792)	Administration
(14,965,974)			(14,965,974)	Attendance and health
(56,126,296)			(56,126,296)	Pupil transportation
107,867,887			107,867,887	Facilities services
(83,989,938)			(83,989,938)	Operation and maintenance
2,687,944			2,687,944	School nutrition services
<u>(70,385,169)</u>			<u>(70,385,169)</u>	Total support services
<u>(33,769,921)</u>			<u>(33,769,921)</u>	Technology
<u>(299,611)</u>			<u>(299,611)</u>	Interest on long-term debt
<u>(937,651,934)</u>			<u>(937,651,934)</u>	Total Primary Government
<b>Component Units:</b>				
	\$ (102,002)	\$ -	(102,002)	Middleburg Community Charter School
	-	75,556	75,556	Hillsboro Charter Academy
<b>General revenues:</b>				
Grants and contributions not restricted to specific purposes:				
252,028	-	-	252,028	Federal government
316,787,568	-	-	316,787,568	Commonwealth of Virginia
692,137,749	-	-	692,137,749	County of Loudoun, Virginia
1,788,122	4,166	500	1,792,788	Revenue from the use of money and property
4,030,688	569	38,340	4,069,597	Other
<u>1,014,996,155</u>	<u>4,735</u>	<u>38,840</u>	<u>1,015,039,730</u>	Total general revenues
77,344,221	(97,267)	114,396	77,361,350	Change in net position
840,070,120	88,534	-	840,158,654	Net position, beginning of year
<u>\$ 917,414,341</u>	<u>\$ (8,733)</u>	<u>\$ 114,396</u>	<u>\$ 917,520,004</u>	Net position, end of year

# LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit III

## Balance Sheet

### Governmental Funds

June 30, 2017

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 200	\$ -	\$ -	\$ 200
Accounts receivable, net	1,911,005	250,000	2,315,311	4,476,316
Due from County	262,977,933	-	-	262,977,933
Due from other governmental units	14,433,693	-	1,959,620	16,393,313
Interfund receivables	-	89,817,334	25,043,149	114,860,483
Due from component unit	85,663	-	-	85,663
Inventories	-	-	426,203	426,203
Prepaid items	138,578	-	-	138,578
Deposits	-	50,000	-	50,000
Restricted cash on deposit with others	-	-	2,281,657	2,281,657
Total assets	\$ 279,547,072	\$ 90,117,334	\$ 32,025,940	\$ 401,690,346
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 5,666,830	\$ 20,940,713	\$ 1,113,427	\$ 27,720,970
Accrued liabilities	66,488,486	10,014,196	2,692,018	79,194,700
Interfund payables	152,994,604	-	1,794,914	154,789,518
Due to agency fund	13,594,486	-	-	13,594,486
Contract retainages	-	8,807,784	-	8,807,784
Other liabilities	206,034	-	-	206,034
Unearned revenues	-	-	4,201,832	4,201,832
Total liabilities	238,950,440	39,762,693	9,802,191	288,515,324
Fund balances:				
Nonspendable:				
Inventories	-	-	426,203	426,203
Prepaid items and deposits	138,578	50,000	-	188,578
Permanent fund-nonexpendable	-	-	26,920	26,920
Restricted for:				
Restricted by legal agreement	-	-	1,824,776	1,824,776
Committed to:				
Subsequent years' appropriations	-	-	2,396,901	2,396,901
Capital improvements	-	50,304,641	-	50,304,641
Capital asset preservation	-	-	8,391,856	8,391,856
Assigned to:				
General Fund contractual obligations	12,966,285	-	-	12,966,285
General Fund subsequent year appropriations	12,000,000	-	-	12,000,000
School Nutrition Services Fund	-	-	9,157,093	9,157,093
Unassigned	15,491,769	-	-	15,491,769
Total fund balances	40,596,632	50,354,641	22,223,749	113,175,022
Total liabilities and fund balances	\$ 279,547,072	\$ 90,117,334	\$ 32,025,940	\$ 401,690,346

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, 2017**

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Fund balances - total governmental funds	\$	113,175,022
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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	\$	297,596,532	
Depreciable capital assets		1,947,463,535	
Accumulated depreciation		<u>(549,586,683)</u>	
Total			1,695,473,384

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	\$	44,736,844	
Capital assets		5,241,350	
Accumulated depreciation		<u>(1,517,712)</u>	
Deferred outflows of resources		646,563	
Liabilities		<u>(22,288,442)</u>	
Deferred inflows of resources		<u>(36,399)</u>	
Total			26,782,204

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	\$	(26,758,954)	
Net other postemployment benefits obligations		(91,598,604)	
Net pension liability		<u>(939,196,656)</u>	
Leases payable		(25,145,907)	
Accrued interest on long-term debt		<u>(282,984)</u>	
Total			(1,082,983,105)

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	\$	114,627,915	
Deferred outflows of resources for 2017 employer contributions		<u>80,848,522</u>	
Total deferred outflows of resources		<u>195,476,437</u>	
Deferred inflows of resources-difference between expected and actual experience		<u>(30,509,601)</u>	
Total deferred inflows of resources		<u>(30,509,601)</u>	
Total			164,966,836

Net position of governmental activities	\$	<u>917,414,341</u>
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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, 2017

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 252,028	\$ -	\$ 24,943,133	\$ 25,195,161
Commonwealth of Virginia	317,123,111	-	6,340,427	323,463,538
County of Loudoun, Virginia	681,864,398	103,124,442	19,265,851	804,254,691
Charges for services:				
Tuition and fees	2,871,436	-	35,753	2,907,189
Food sales	-	-	18,633,779	18,633,779
Revenue from the use of money and property	1,873,339	-	-	1,873,339
Recovered costs	3,547,551	-	-	3,547,551
Other	2,473,205	-	1,281,386	3,754,591
Total revenues	1,010,005,068	103,124,442	70,500,329	1,183,629,839
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	644,743,934	-	6,892,178	651,636,112
Special	149,178,693	-	11,531,512	160,710,205
Adult education	442,481	-	330,207	772,688
Other	1,834,651	-	-	1,834,651
Support services:				
Administration	26,069,690	-	-	26,069,690
Attendance and health	14,933,765	-	-	14,933,765
Pupil transportation	51,775,767	-	321,126	52,096,893
Facilities services	3,637,730	38,257	-	3,675,987
Operation and maintenance	77,133,522	-	6,385,193	83,518,715
School nutrition services	549,100	-	25,520,508	26,069,608
Technology	27,017,825	-	9,349,137	36,366,962
Capital outlay	7,094,251	124,766,325	5,469,604	137,330,180
Debt service:				
Principal	-	-	9,972,603	9,972,603
Interest	-	-	300,748	300,748
Total expenditures	1,004,411,409	124,804,582	76,072,816	1,205,288,807
Excess (deficiency) of revenues over (under) expenditures	5,593,659	(21,680,140)	(5,572,487)	(21,658,968)
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital leases and installment purchases	-	-	10,000,000	10,000,000
Transfers in	23,824,678	-	-	23,824,678
Transfers out	(10,901,458)	-	-	(10,901,458)
Total other financing sources, net	12,923,220	-	10,000,000	22,923,220
Net change in fund balances	18,516,879	(21,680,140)	4,427,513	1,264,252
Fund balances at beginning of year	22,079,753	72,034,781	17,796,236	111,910,770
Fund balances at end of year	\$ 40,596,632	\$ 50,354,641	\$ 22,223,749	\$ 113,175,022

See accompanying notes to the financial statements.



**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**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, 2017**

**Exhibit VI**

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Net changes in fund balances - total governmental funds	\$ 1,264,252
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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	\$ 137,330,180	
Depreciation expense	<u>(46,908,461)</u>	
Total		90,421,719

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.	276,097
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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.	(85,217)
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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.	9,972,603
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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 Position and does not affect the Statement of Activities. This represents principal amounts of new capital leases.	(10,000,000)
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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	4,460,831
Compensated absences	(1,945,281)
Pensions:	
Pension contributions	\$ 80,773,320
Cost of benefits earned net of employee contributions	<u>(98,500,013)</u>
	(17,726,693)

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.	704,773
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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.	1,137
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Change in net position of governmental activities	<u><u>\$ 77,344,221</u></u>
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See accompanying notes to the financial statements.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

**Exhibit VII**

	<b>Internal Service Funds</b>
<b>ASSETS</b>	
Current assets:	
Accounts receivable, net	\$ 441,554
Interfund receivables	40,856,284
Inventories	720,006
Deposits	2,719,000
Total current assets	<u>44,736,844</u>
Noncurrent assets:	
Capital assets:	
Buildings	4,676,410
Machinery and equipment	564,940
Accumulated depreciation	(1,517,712)
Total noncurrent assets	<u>3,723,638</u>
Total assets	<u>48,460,482</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	<u>646,563</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	287,014
Accrued liabilities	2,379,943
Interfund payables	927,249
Claims liabilities	16,762,465
Total current liabilities	<u>20,356,671</u>
Noncurrent liabilities:	
Claims liabilities	518,427
Net pension liability	1,413,344
Total noncurrent liabilities	<u>1,931,771</u>
Total liabilities	<u>22,288,442</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	<u>36,399</u>
<b>NET POSITION</b>	
Invested in capital assets	3,723,638
Unrestricted	23,058,566
Total net position	<u>\$ 26,782,204</u>

See accompanying notes to the financial statements.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit VIII**

	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 198,237,299
Use of property	10,330
Total operating revenues	<u>198,247,629</u>
<b>OPERATING EXPENSES</b>	
Claims	154,055,951
Personnel services	9,772,287
Other services and charges	11,553,398
Materials and supplies	9,028,942
Depreciation	208,876
Total operating expenses	<u>184,619,454</u>
Net operating income before contributions and transfers	13,628,175
<b>NONOPERATING EXPENSES</b>	
Loss on sale of capital assets	(182)
Net income before transfers	<u>13,627,993</u>
Transfers in	10,901,458
Transfers out	(23,824,678)
Change in net position	<u>704,773</u>
Net position at beginning of year	26,077,431
Net position at end of year	<u>\$ 26,782,204</u>

See accompanying notes to the financial statements.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit IX**

	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 198,214,455
Payments to suppliers for goods and services	(18,792,758)
Claims paid	(150,863,389)
Payments to employees	(9,769,499)
Payments to interfund services	(5,790,211)
Net cash provided by operating activities	<u>12,998,598</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	10,901,458
Transfers out	(23,824,678)
Net cash used in noncapital financing activities	<u>(12,923,220)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	(75,684)
Gain on sale of capital assets	306
Net cash used in capital and related financing activities	<u>(75,378)</u>
Net cash	-
Cash at beginning of year	-
Cash at end of year	<u>\$ -</u>
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>NET OPERATING INCOME</b>	<u>\$ 13,628,175</u>
<b>ADJUSTMENTS NOT AFFECTING CASH</b>	
Depreciation	208,876
<b>(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES</b>	
Accounts receivable, net	(33,174)
Interfund receivables	(5,361,125)
Inventories	(13,732)
Accounts payable	96,333
Accrued liabilities	1,706,981
Interfund payables	(429,086)
Claims liabilities	3,192,562
Net pension liability	2,788
Total adjustments	<u>(629,577)</u>
Net cash provided by operating activities	<u>\$ 12,998,598</u>

See accompanying notes to the financial statements.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

**Exhibit X**

	Other Postemployment Benefits Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 7,767,961
Accounts receivable, net	-	3,200
Investments at fair value-investments in pooled funds	140,815,006	-
Due from General Fund	-	13,594,486
Total assets	<u>\$ 140,815,006</u>	<u>\$ 21,365,647</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 13,597,686
Collections held in trust	-	7,767,961
Total liabilities	<u>-</u>	<u>\$ 21,365,647</u>
<b>NET POSITION</b>		
Held in trust for other postemployment benefits	<u>\$ 140,815,006</u>	

See accompanying notes to the financial statements.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit XI**

	<b>Other Postemployment Benefits Trust</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 26,321,831
Total contributions	<u>26,321,831</u>
Investment income:	
Interest	15,769
Net appreciation in investments	10,038,133
Investment management fees	(82,295)
Total investment income	<u>9,971,607</u>
Total additions	<u>36,293,438</u>
<b>DEDUCTIONS</b>	
Benefit payments	13,807,912
Administrative payments	513,919
Total deductions	<u>14,321,831</u>
Changes in net position	21,971,607
Net position at beginning of year	118,843,399
Net position at end of year	<u>\$ 140,815,006</u>

See accompanying notes to the financial statements.

# Notes to the Financial Statements

Loudoun County Public  
Schools  
June 30, 2017

## 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) and Hillsboro Charter Academy (HCA) meet those criteria as component units of LCPS. MCCS and HCA also meet the requirement of a discretely presented component unit and are included as such for fiscal year ended June 30, 2017.

MCCS is a public school which provides 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

HCA is a public school providing individualized learning plans. Students are encouraged to use higher-order thinking skill and are immersed in hands-on, engineering, and creative-arts based projects that support the rigorous academic program.

A separately issued financial report can be obtained by writing to:

Hillsboro Charter Academy  
37110 Charles Town Pike  
Purcellville, VA 20132

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 units, MCCS and HCA, 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 units in a format that focuses on the cost of each of LCPS' major programs/functions and those of its component units.

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 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, state, and private 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 postemployment 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 charter schools represent available cash held for operations.

### **2. RESTRICTED CASH AND INVESTMENTS AT FAIR VALUE**

Investments are presented at Net Asset Value in the Statement of Fiduciary Net Position and 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 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 one year. 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 acquisition 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:*

<b>Capital Assets</b>	<b>Useful lives (Years)</b>
Buildings	45
Building Improvements	15-25
Infrastructure	20-60
Vehicles	5
Other 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 charter schools reported no capital assets for fiscal year ended June 30, 2017.

#### **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, 2017, \$13,939,243 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 \$16,046 per individual. As of June 30, 2017, \$12,819,711 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 charter schools reported no compensated absences on June 30, 2017.

#### **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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 (\$26,920) of the permanent fund and the portion legally restricted by the lease agreement.

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, which 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, 2017:*

General Fund	\$ 12,966,285
Capital Improvements Fund	238,409,580
Nonmajor Funds (aggregate)	8,230,765
Total Governmental Funds	<u>\$ 259,606,631</u>

## 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 GAAP 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. 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 has assessed the impact of this GASB Statement and has determined that it has not entered into such arrangements. Management has established procedures to identify any future arrangements that would be applicable to this statement.

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 has implemented this Statement.

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 has assessed this pronouncement and the impact of the requirement and has established that it is applicable and will be implemented in Fiscal Year 2018.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* in January 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management has implemented this statement.

The GASB issued Statement 81, *Irrevocable Split-Interest Agreements* in March 2016. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Management has implemented this statement.

The GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73* in March 2016. The majority of the requirements of this Statement are effective for reporting 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 83, *Certain Asset Retirement Obligations* in November 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. 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](http://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, 2017 for small purchases on an emergency basis. The School Nutrition Services Fund held no petty cash in its change fund on June 30, 2017. Cash and temporary investments related to MCCS are all highly liquid cash and cash equivalents. MCCS had \$61,569 cash and cash equivalents on June 30, 2017. Cash and temporary investments related to HCA are all highly liquid cash and cash equivalents. HCA had \$131,583 cash and cash equivalents on June 30, 2017.

Cash and temporary investments related to the School Activity Funds are all highly liquid cash and cash equivalents. School Activity Funds reported \$7,767,961 cash and cash equivalents on June 30, 2017.

##### 2. RESTRICTED CASH ON DEPOSIT WITH OTHERS

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

The Lease Fund reported \$2,281,657 on June 30, 2017 as restricted cash on deposit with others, which represents unspent lease proceeds from its 2017 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. As of June 30, 2017, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Virginia Pooled OPEB Trust (Trust) will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the OPEB Fund is uninsured and uncollateralized.

The Trust categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the Net Asset Value (NAV) per share (or its equivalent) of the investment.

Investments in the Trust are valued using the NAV per share, which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

At June 30, 2017 LCPS' share in this pool was \$140,815,006 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 III and Head Start grants in the Grant Fund. IDEA is designed to ensure that all school age handicapped children are provided a free, appropriate

public education. Title III and Head Start 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, 2017 are as follows:*

Fund	Federal Government	Commonwealth of Virginia	Total
General Fund	\$ -	\$ 14,433,693	\$ 14,433,693
Nonmajor Governmental Funds	262,045	1,697,575	1,959,620
Total	\$ 262,045	\$ 16,131,268	\$ 16,393,313

## 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, 2017 are as follows:*

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 152,994,604
Capital Improvements Fund	89,817,334	-
Lease Fund	-	1,794,914
School Nutrition Services Fund	11,325,863	-
Grant Fund	2,032,527	-
Capital Asset Preservation Fund	9,260,938	-
Debt Service Fund	2,396,901	-
Peabody Trust Fund	26,920	-
Proprietary-Central Service Fund	-	927,249
Proprietary-Self Insurance Fund	40,856,284	-
Total	\$ 155,716,767	\$ 155,716,767

## 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, 2017 was as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 23,824,678	\$ 10,901,458
Internal Service-Self Insurance fund	10,901,458	23,824,678
Total	<u>\$ 34,726,136</u>	<u>\$ 34,726,136</u>

## E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 148,309,740	\$ 1,548,891	\$ -	\$ 149,858,631
Construction in progress	84,162,499	122,974,610	(59,399,208)	147,737,901
Total non-depreciable capital assets	<u>232,472,239</u>	<u>124,523,501</u>	<u>(59,399,208)</u>	<u>297,596,532</u>
Depreciable capital assets				
Building	1,754,875,266	58,891,525	(63,910)	1,813,702,881
Machinery and equipment	132,911,723	12,422,832	(11,868,375)	133,466,180
Improvements other than buildings	4,291,391	1,243,312	-	5,534,703
Infrastructure	1,121	-	-	1,121
Total depreciable capital assets	<u>1,892,079,501</u>	<u>72,557,669</u>	<u>(11,932,285)</u>	<u>1,952,704,885</u>
Accumulated depreciation:				
Buildings	(399,939,013)	(39,999,943)	63,503	(439,875,453)
Machinery and equipment	(114,807,994)	(6,836,369)	11,783,078	(109,861,285)
Improvements other than buildings	(1,086,268)	(280,969)	-	(1,367,237)
Infrastructure	(364)	(56)	-	(420)
Total accumulated depreciation	<u>(515,833,639)</u>	<u>(47,117,337)</u>	<u>11,846,581</u>	<u>(551,104,395)</u>
Depreciable capital assets, net	<u>1,376,245,862</u>	<u>25,440,332</u>	<u>(85,704)</u>	<u>1,401,600,490</u>
Total capital assets, net	<u>\$ 1,608,718,101</u>	<u>\$ 149,963,833</u>	<u>\$ (59,484,912)</u>	<u>\$ 1,699,197,022</u>

Governmental activities capital assets, net of accumulated depreciation, at June 30, 2017 are comprised of the following:

General capital assets, net	\$ 1,695,473,384
Internal Service Fund capital assets, net	3,723,638
Total capital assets, net	<u>\$ 1,699,197,022</u>



Depreciation was charged to governmental programs/functions as shown:

<u>Governmental Activities</u>	<u>Depreciation Expense</u>
Instruction:	
Regular	\$ 40,015,906
Special Education	27,132
Support services:	
Administration	580,139
Attendance and health	3,996
Pupil transportation	4,241,255
Facilities	568,564
Operation and maintenance	390,679
School Nutrition Services	2,041
Technology	1,078,749
In addition, depreciation expense on capital assets held by the internal service funds is charged to pupil transportation.	208,876
Total	<u>\$ 47,117,337</u>

#### 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, 2017, LCPS had deferred outflows relating to pensions in the amount of \$196,123,000.

#### 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, 2017, LCPS had deferred inflows relating to pensions in the amount of \$ 30,946,000

#### 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, 2017:

Governmental Activities	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 24,813,673	\$ 5,550,465	\$ 3,605,184	\$ 26,758,954	\$ 2,887,779
Claims liabilities	14,088,330	154,055,951	150,863,389	17,280,892	16,762,465
Leases payable	25,118,510	10,000,000	9,972,603	25,145,907	9,992,314
OPEB obligations	96,059,435	21,861,000	26,321,831	91,598,604	-
Net pension liability	809,043,000	364,386,000	232,819,000	940,610,000	-
Total	<u>\$ 969,122,948</u>	<u>\$ 555,853,416</u>	<u>\$ 423,582,007</u>	<u>\$ 1,101,394,357</u>	<u>\$ 29,642,558</u>

# 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 future minimum annual lease payments as of June 30, 2017:

Year Ending June 30,	Principal	Interest
2018	\$ 9,992,314	\$ 301,582
2019	7,546,590	184,880
2020	5,063,626	92,270
2021	2,543,377	29,478
Total lease payable	<u>\$ 25,145,907</u>	<u>\$ 608,209</u>

The following schedule lists the capital leases at June 30, 2017 by individual items:

Date Issued	Final Maturity	Interest Rate	Issue Amount	Balance at June 30, 2017	Type of Project Financed (the assets acquired secured the related capital lease)
7/24/2013	7/24/2017	.994%	\$ 10,000,000	\$ 2,537,209	\$5.5M for vehicles; \$4.5M for computers
7/18/2014	7/18/2018	1.202%	10,000,000	5,059,739	\$1.9M for vehicles; \$8.1M for computers and equipment
7/24/2015	7/24/2019	1.32%	10,000,000	7,548,959	\$2.1M for vehicles; \$7.9M for computers and equipment
8/5/2016	8/5/2020	1.16%	10,000,000	10,000,000	\$3.1M for vehicles; \$6.9M for computers and equipment
			<u>\$ 40,000,000</u>	<u>\$ 25,145,907</u>	

## 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, 2017, LCPS had contractual commitments in the amount of \$238,409,580 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 the charter schools, to which LCPS provides a substantial contribution, LCPS had no other related parties during fiscal year 2017.

## 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).

We have had no significant reduction in insurance coverage from prior years. Our coverage amounts increase each year with the addition of new school construction, new technology, and new vehicles. Our insurance premiums remain relatively flat despite the increase in our blanket property coverage limits.

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 \$600,000 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 2016	
Unpaid claims beginning of fiscal year	\$ 5,029,069
Incurred claims (including IBNR)	2,452,641
Claim payments	(2,452,767)
Unpaid claims end of fiscal year	<u>\$ 5,028,943</u>

Fiscal Year 2017	
Unpaid claims beginning of fiscal year	\$ 5,028,943
Incurred claims (including IBNR)	3,628,736
Claim payments	(2,894,101)
Unpaid claims end of fiscal year	<u>\$ 5,763,578</u>

On October 1, 1984, LCPS began to self-insure health care for all eligible employees and all retirees. Eligible employees and retirees are defined by School Board Policy.

LCPS has purchased stop loss insurance from Connecticut General Life Insurance Company (CIGNA) limiting claims against the self-insurance program to \$500,000 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 2016	
Unpaid claims beginning of fiscal year	\$ 10,476,310
Incurred claims (including IBNR)	133,815,585
Claim payments	(135,232,508)
Unpaid claims end of fiscal year	<u>\$ 9,059,387</u>

Fiscal Year 2017	
Unpaid claims beginning of fiscal year	\$ 9,059,387
Incurred claims (including IBNR)	150,427,215
Claim payments	(147,969,288)
Unpaid claims end of fiscal year	<u>\$ 11,517,314</u>

CIGNA is also contracted to adjudicate health insurance claims, provide underwriting services and recommend reserve levels, including claims incurred but not yet reported.

LCPS offers three (3) health plan options to active employees: a High Deductible Health Plan with Health Savings Accounts (HDHP), a Point of Service (POS) Plan and an Open Access Plus (OAP) Plan. Non-Medicare eligible retirees may also choose from the POS and OAP Plans. A Medicare Supplement Plan is offered to Medicare-eligible retirees/dependents.

All plan designs and premiums for employees and retirees are evaluated every fiscal year. Coverage levels are Employee Only, Employee Plus Child, Employee Plus Spouse and Family.

Prescription drug coverage is included as part of the medical plans and is provided by Express Scripts, Inc. Dental and vision coverage is available as an add-on with Delta Dental as the third-party administrator for dental benefits and Davis Vision as the third party administrator for vision benefits.

Summary Plan Documents are available on the Employee Health, Wellness and Benefits website.

## C. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

### 1. BACKGROUND

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

For fiscal year 2017 we have implemented GASB Statement 74 requirements. These requirements addressed how local governments should account for and report their costs related to postemployment health care and other non-pension benefits. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency for funds such as LCPS' retiree health benefit subsidy.

LCPS' subsidy is funded on a pay-as-you-go basis. GAAP requires LCPS to disclose the unfunded actuarial full liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on LCPS. This 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. Because claim costs are generally higher for retiree groups than for active employees, the premium amount does not represent the full cost of coverage for retirees. The Plan does not issue a publicly available financial report.

*At July 1, 2015, the date of the most recent actuarial valuation, plan membership consisted of:*

Retirees and beneficiaries entitled to benefits	1,157
Active plan members	<u>7,994</u>
Total	<u>9,151</u>

## 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 2017, LCPS contributed \$ 26,321,831 to the OPEB Trust Fund, which included \$14,321,831 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 2017. 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.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 8.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The OPEB plan does not hold any investments in any one organization that represent 5 percent or more of the OPEB plans fiduciary net position.

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.

### a. Long-Term Rate of Return

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

Asset Class (1)	Expected Real Rate of Return	Allocation
Domestic Equity (Large Cap)	6.50%	29%
Domestic Equity (Small Cap)	7.00%	12%
International Equity	7.30%	14%
Emerging Markets Equity	7.80%	6%
Private Equity	9.00%	1%
Core US Fixed Income	3.50%	6%
Corporate Fixed Income	4.20%	13%
Cash	2.60%	0%
Hedge Funds	5.60%	10%
Real Estate	5.20%	7%
Commodities	5.30%	2%

1) these rates of return reflect the plan sponsor's best estimate.

The discount rate used to measure the total OPEB liability is 7.00%.

The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Based on these assumptions the OPEB Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

#### 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 120.4 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 retirees for the health coverage), plus any additional employer contributions.

*The following summarizes LCPS' Annual OPEB cost and NOO for June 30, 2017:*

Discount rate	7.00%
Annual required contribution (ARC)	\$ 20,193,000
Interest on net OPEB obligation	6,983,000
Adjustment to ARC	(5,315,000)
<b>Annual OPEB cost (expense)</b>	<b>21,861,000</b>
Actual contributions	(26,321,831)
Decrease in net OPEB obligation	(4,460,831)
Net OPEB obligation, beginning of year	96,059,435
<b>Net OPEB obligation, end of year</b>	<b>\$ 91,598,604</b>
Actual contribution rate	120.41%

*LCPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the NOO for FY 2017 and the preceding fiscal years were as follows:*

Percentage of					
<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Annual Contribution</u>	<u>Net OPEB Obligation</u>	<u>Annual Shortfall</u>
6/30/2017	\$ 21,861,000	120.41%	\$ 26,321,831	\$ 91,598,604	\$ (4,460,831)
6/30/2016*	21,176,000	114.50%	24,247,438	96,059,435	(3,071,438)
6/30/2015*	23,015,000	107.50%	24,740,087	99,130,873	(1,725,087)
6/30/2014*	23,953,000	97.13%	23,266,040	100,855,960	686,960
6/30/2013*	35,522,858	49.74%	17,668,922	121,535,936	17,853,936
6/30/2012*	36,075,263	64.36%	23,218,531	103,682,000	12,856,732
6/30/2011*	30,439,222	64.55%	19,647,113	90,825,268	10,792,109
6/30/2010*	31,542,472	47.54%	14,994,968	80,033,159	16,547,504

\*Required supplementary information – unaudited

**a. Determination of Net OPEB Liability**

The components of the Plan's Net OPEB Liability as of June 30, 2017 were as follows

Total OPEB Liability	\$ 299,301,000
Plan Fiduciary net Position (Market Value of Assets)	(140,815,000)
Net OPEB Liability	<u>\$ 158,486,000</u>
Plan Fiduciary net Position as a percentage of Total OPEB Liability	47.05%

**b. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents LCPS' net OPEB Liability calculated using the stated discount rate of 7.00%, as well as what LCPS' net OPEB 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 Rate (7.00%)	1% Increase (8.00%)
LCPS' net OPEB liability	\$ 203,983,000	\$ 158,486,000	\$ 121,144,000

**c. Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following represents the Net OPEB Liability calculated using the stated healthcare trend rates, as well as what the Net OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (6.00%/5.00% decreasing to 3.50%) or 1 percentage point higher (8.00%/7.00% decreasing to 5.50%) than the current healthcare trend rates:

	1% Decrease (Varied decreasing to 3.50%)	Trend Rate (Varied decreasing to 4.50%)	1% Increase (Varied decreasing to 5.50%)
LCPS' net OPEB liability	\$ 134,596,000	\$ 158,486,000	\$ 181,000,000

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 are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as 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, 2017, 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 (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2015	104,705,000	258,306,000	153,601,000	40.54%	506,291,000	30.34%
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%

\*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. LCPS selected the economic, demographic and health care claim cost assumptions and prescribed them for use for purposes of compliance with GAAP. Aon Hewitt provided guidance with respect to these assumptions, and believes they represent reasonable expectations of anticipated plan experience.

The entry age normal cost method along with a discount rate of 7.00% 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 2017 was determined as part of the July 1, 2015 actuarial valuation using a 30-year open period level percent of pay amortization. The ARC for LCPS is \$20,193,000 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 7.0 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 7.41 percent initially, reduced by decrements to a rate of 4.50 percent for year 2024 and Post Medicare rates of 8.8 percent initially, reduced by decrements to a rate of 4.50 percent for year 2024. 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.

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:*

### 1. PLAN DESCRIPTION-Professional Plan

Name of Plan:

**Virginia Retirement System**

Identification of Plan:

**Professional Plan-Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**

Administering Entity:

**Virginia Retirement System**

All full-time, salaried permanent (professional) employees of LCPS 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.

RETIREMENT PLAN PROVISIONS-PROFESSIONAL PLAN		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> 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.</p>	<p><b>About Plan 2</b> 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.</p>	<p><b>About the Hybrid Retirement Plan</b> 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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>Eligible Members</b> 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.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• School division employees</li> <li>• 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</li> </ul>
<p><b>Hybrid Opt-In Election</b> 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.</p>	<p><b>Hybrid Opt-In Election</b> 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.</p>	

<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p><b>Retirement Contributions</b> 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.</p> <p>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.</p> <p><b>Creditable Service</b> 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.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> <b>Defined Benefit Component:</b> 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.</p> <p><b>Defined Contributions Component:</b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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<p><b>Vesting</b>  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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u></p> <p>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.</p> <p><u><b>Defined Contributions Component:</b></u></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> <li>• Distribution is not required by law until age 70½.</li> </ul>
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<p><b>Calculating the Benefit</b> 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.</p> <p>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.</p> <p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> <p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p> <p><b>Normal Retirement Age</b> Age 65.</p> <p><b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p> <p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> <p><b>Service Retirement Multiplier</b> 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.</p> <p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p> <p><b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> 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.</p> <p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> <p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>
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<p><b>Earliest Reduced Retirement Eligibility VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><b><u>Eligibility:</u></b> 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.</p> <p>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.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<p><b>Earliest Reduced Retirement Eligibility VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component: VRS:</u></b> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>
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<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <p><b>Disability Coverage</b> N/A</p> <p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Disability Coverage</b> N/A</p> <p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Disability Coverage</b> 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.</p> <p>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.</p> <p><b>Purchase of Prior Service</b> <b>Defined Benefit Component:</b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><b>Defined Contribution Component:</b> Not applicable.</p>
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**a. Contribution**

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. LCPS contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined 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.

Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contribution to the pension plan from the school division were \$78,001,000 and \$70,276,318 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, LCPS reported a liability of \$927,348,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, LCPS' proportion was 6.6172% as compared to 6.37430% at June 30, 2015.

For the year ended June 30, 2017 LCPS recognized pension expense of \$95,725,000. Since there was a change in proportionate share between measurement dates, 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, 2017, 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
Difference between expected and actual experience	\$ -	\$ 30,050,000
Net difference between projected and actual earnings on pension plan investments	52,973,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,041,000	-
Employer contributions subsequent to the measurement date	78,001,000	-
Total	\$ 189,015,000	\$ 30,050,000

\$78,001,000 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, 2018.



Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amortization Amount
2018	\$ 9,778,000
2019	9,778,000
2020	37,226,000
2021	23,646,000
2022	536,000
Total	<u>\$ 80,964,000</u>

### c. Actuarial Assumptions

Method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

The total pension liability for the VRS Professional Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost

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, 2015 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. Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with

GAAP, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	30,168,211
Employers' Net Pension Liability (Asset)	\$ 14,014,115
Plan Fiduciary Net Positions as a Percentage of the total Pension Liability	68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension

liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

#### 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:

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) Allocation	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%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
		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 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 school division 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. There has been no change in the discount rate since the prior measurement date.

#### g. 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 LCPS' 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%)
LCPS' net pension liability	\$ 1,321,937,000	\$ 927,348,000	\$ 602,301,000

#### h. Pension Plan Fiduciary Net Position

Information about the VRS Political Subdivision Retirement Plans are also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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**

Identification of Plan:

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

Administering Entity:

**Virginia Retirement System**

All full-time, salaried permanent (non-professional) employees of the LCPS are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement 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
<p><b>About Plan 1</b> 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.</p>	<p><b>About Plan 2</b> 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.</p>	<p><b>About the Hybrid Retirement Plan</b> 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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>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.</p>	<p><b>Eligible Members</b> 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.</p> <p><b>Hybrid Opt-In Election</b></p> <p>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.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul>

<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>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.</p>
<p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> 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.</p>	<p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> <b>Defined Benefit Component:</b> 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.</p>

		<p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b> 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.</p> <p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> 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.</p> <p>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.</p> <p><b><u>Defined Contributions Component:</u></b> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>

<p><b>Calculating the Benefit</b> 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.</p> <p>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.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b>Defined Benefit</b> <b>Component:</b> See definition under Plan 1</p> <p><b>Defined Contribution</b> <b>Component:</b> 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.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier VRS:</b> 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%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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.</p>	<p><b>Service Retirement Multiplier VRS:</b> 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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b>Defined Benefit Component: VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution</b> <b>Component:</b> Not applicable.</p>



<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> 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.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> 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.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p>

<p><b><u>Eligibility:</u></b> 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.</p> <p>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.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b><u>Eligibility:</u></b> Same as Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>
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<p><b>Disability Coverage</b> 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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.</p> <p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Disability Coverage</b> 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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Disability Coverage</b> 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.</p> <p>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.</p> <p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>
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## a. Employees Covered by Benefit Terms

*As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:*

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	538
Inactive members:	
Vested inactive members	129
Non-vested inactive members	531
Inactive members active elsewhere in VRS	252
Total inactive members	912
Active members	1,849
Total covered employees	3,299

## 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, 2017 was 5.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$3,088,000 and \$3,739,163 for the years ended June 30, 2017 and June 30, 2016, respectively.

## c. Net Pension Liability

The LCPS' net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

## 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, 2015, 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, 2016.

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, 2015 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) Allocation	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%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
		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. There has been no change in the discount rate since the prior measurement date.

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	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(B)	(a) - (b)
Balances at June 30, 2015	\$ 127,874,388	\$ 121,123,440	\$ 6,750,948
Changes for the year:			
Service cost	5,257,918	-	5,257,918
Interest	8,778,058	-	8,778,058
Difference between expected and actual experience	905,196	-	905,196
Contributions-employer	-	3,730,644	(3,730,644)
Contributions-employee	-	2,587,117	(2,587,117)
Net investment income	-	2,186,311	(2,186,311)
Benefit payments, including refunds of employee contributions	(4,947,132)	(4,947,132)	-
Administrative expenses	-	(73,285)	73,285
Other changes	-	(910)	910
Net changes	9,994,040	3,482,745	6,511,295
Balances at June 30, 2016	\$ 137,868,428	\$ 124,606,185	\$ 13,262,243

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

*The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's 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%)
LCPS' net pension liability	\$ 32,489,000	\$ 13,262,000	\$ (2,619,000)

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

*For the year ended June 30, 2017, LCPS recognized pension expense of \$3,106,000. At June 30, 2017, 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
Difference between expected and actual experience	\$ 707,000	\$ 496,000
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	3,313,000	-
Employer contributions subsequent to the Measurement Date*	3,088,000	-
Total	<u>\$ 7,108,000</u>	<u>\$ 496,000</u>

\*Contributions after the measurement date are employer provided data that will be reported directly by the employers

Contributions of \$3,088,000 made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018.

*Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:*

Year Ended June 30,	Amortization Amount
2018	\$ 107,000
2019	107,000
2020	1,932,000
2021	1,378,000
2022	-
Total	<u>\$ 3,524,000</u>



### 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	\$ 927,348,000	\$ 13,262,000	\$ 940,610,000	\$ 1,413,344	\$ 939,196,656
Pension Expense	95,725,000	3,106,000	98,831,000	330,987	98,500,013
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	58,041,000	707,000	58,748,000	80,318	58,667,682
Net difference between projected and actual earnings on pension plan investments	52,973,000	3,313,000	56,286,000	325,767	55,960,233
Employer contributions subsequent to the measurement date	78,001,000	3,088,000	81,089,000	240,478	80,848,522
Total deferred outflows of resources	189,015,000	7,108,000	196,123,000	646,563	195,476,437
Deferred inflows of resources:					
Difference between expected and actual experience	30,050,000	496,000	30,546,000	36,399	30,509,601
Total deferred inflows of resources	\$ 30,050,000	\$ 496,000	\$ 30,546,000	\$ 36,399	\$ 30,509,601

### 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.



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# Required Supplementary Information

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**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**  
**Budgetary Comparison Schedule - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit XII**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 87,807	\$ 87,807	\$ 252,028	\$ 164,221
Commonwealth of Virginia	317,219,265	317,387,036	317,123,111	(263,925)
County of Loudoun, Virginia	694,787,619	694,573,824	681,864,398	(12,709,426)
Charges for services:				
Tuition and fees	4,585,905	4,585,905	2,871,436	(1,714,469)
Revenue from the use of money and property	2,672,831	2,672,831	1,873,339	(799,492)
Recovered costs	2,330,543	2,330,543	3,547,551	1,217,008
Other	1,211,651	1,303,577	2,473,205	1,169,628
Total revenues	1,022,895,621	1,022,941,523	1,010,005,068	(12,936,455)
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	655,654,456	655,667,488	644,743,934	10,923,554
Special	156,010,871	155,964,045	149,178,693	6,785,352
Adult education	380,977	462,752	442,481	20,271
Other	2,649,247	2,632,452	1,834,651	797,801
Support services:				
Administration	26,736,239	27,134,232	26,069,690	1,064,542
Attendance and health	15,348,811	15,441,211	14,933,765	507,446
Pupil transportation	61,678,760	57,630,466	51,775,767	5,854,699
Facilities services	3,135,401	5,420,313	3,637,730	1,782,583
Operation and maintenance	79,549,442	85,844,137	77,133,522	8,710,615
School nutrition services	683,888	643,290	549,100	94,190
Technology	28,088,207	31,241,275	27,017,825	4,223,450
Capital outlay	683,398	7,488,771	7,094,251	394,520
Total expenditures	1,030,599,697	1,045,570,432	1,004,411,409	41,159,023
Excess (deficiency) of revenues over (under) expenditures	(7,704,076)	(22,628,909)	5,593,659	28,222,568
<b>OTHER FINANCING USES</b>				
Transfers in	704,076	15,628,911	23,824,678	8,195,767
Transfers out	-	-	(10,901,458)	(10,901,458)
Total other financing uses	704,076	15,628,911	12,923,220	(2,705,691)
Net change in fund balances	(7,000,000)	(6,999,998)	18,516,879	25,516,877
Fund balances at beginning of year	22,079,753	22,079,753	22,079,753	-
Fund balances at end of year	\$ 15,079,753	\$ 15,079,755	\$ 40,596,632	\$ 25,516,877

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, 2017\***

<b>Fiscal Year</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Covered-Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	6.61720%	\$ 927,348,000	\$ 522,745,000	177.40%	68.28%
2016	6.37430%	802,292,000	506,291,000	158.46%	70.68%
2015	6.15461%	743,824,733	477,137,000	155.89%	70.88%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, ten years of data is not 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, 2017\*

	2015	2016	2017
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 5,409,000	\$ 5,228,000	\$ 5,258,000
Interest	7,606,000	8,227,000	8,778,000
Difference between expected and actual experience	-	(902,000)	905,000
Benefit payments, including refunds of employee contributions	(3,882,000)	(4,410,000)	(4,947,000)
Net change in total pension liability	9,133,000	8,143,000	9,994,000
Total pension liability, beginning of year	110,598,000	119,731,000	127,874,000
Total pension liability, end of year (a)	<u>\$ 119,731,000</u>	<u>\$ 127,874,000</u>	<u>\$ 137,868,000</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions-employer	\$ 3,657,000	\$ 3,637,000	\$ 3,731,000
Contributions-employee	2,521,000	2,527,000	2,587,000
Net investment income	15,392,000	5,276,000	2,186,000
Benefit payments, including refunds of employee contributions	(3,882,000)	(4,410,000)	(4,947,000)
Administrative expense	(80,000)	(69,000)	(73,000)
Other	-	(2,000)	(1,000)
Net change in plan fiduciary net position	17,608,000	6,959,000	3,483,000
Plan fiduciary net position, beginning	96,556,000	114,164,000	121,123,000
Plan fiduciary net position, ending (b)	<u>\$ 114,164,000</u>	<u>\$ 121,123,000</u>	<u>\$ 124,606,000</u>
Net pension liability, ending (a)-(b)	<u>\$ 5,567,000</u>	<u>\$ 6,751,000</u>	<u>\$ 13,262,000</u>
Plan fiduciary net position as a percentage of the total pension liability	95.35%	94.72%	90.38%
Covered-employee payroll	\$ 50,095,243	\$ 50,973,799	\$ 53,004,200
Net pension liability as a percentage of covered-employee payroll	11.11%	13.24%	25.02%

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

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.

See accompanying notes to the required supplementary information.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Schedule of Employer Contributions**  
**Public Employee Retirement System**  
**For Fiscal Year Ended June 30, 2017**

**Exhibit XV**

		Contributions in Relation to Contractually Required Contribution			Employer's Covered Employee Payroll		Contributions as a % of Covered Employee Payroll
Virginia Retirement System-Professional Plan	Date	(1)	(2)	Contribution Deficiency (Excess) (3)	(4)	(5)	
	2017	\$ 79,589,441	\$ 78,001,000	\$ 1,588,441	\$ 542,902,050		14.37%
	2016	71,353,037	70,276,318	1,076,720	507,489,598		13.85%
	2015	68,699,263	68,243,888	455,375	473,788,018		14.40%

**Virginia Retirement  
System-Non-Professional Plan**

2017	\$	3,150,157	\$	3,088,000	\$	62,157	\$	53,665,361	5.75%
2016		3,826,903		3,739,163		87,740		53,004,200	7.05%
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 was the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.

See accompanying notes to the required supplementary information.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits**  
**For Fiscal Year Ended June 30, 2017**

**Exhibit XVI**

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial	Actuarial	Actuarial	Unfunded	Funded	Annual	UAAL as a
	Valuation	Value of	Accrued	AAL	Ratio	Covered	Percentage of
	Date	Assets	Liability	(UALL)	(1) / (2)	Payroll	Covered Payroll
			(AAL)	(2) - (1)			((2) - (1)) / (5)
<b>OPEB Trust</b>	7/1/2015	\$ 104,705,450	\$ 258,306,000	\$ 153,601,000	40.54%	\$ 506,291,000	30.34%
	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%

The most recent actuarial valuation was performed on July 1, 2015 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**  
**Schedule of Employer Contributions**  
**Other Postemployment Benefits\***  
**For Fiscal Year Ended June 30, 2017**

**Exhibit XVII**

	Actuarial Valuation Date	Fiscal Year	Employer Annual Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
OPEB Trust	7/1/2015	6/30/2017	\$ 26,321,831	\$ 21,861,000	120.41%
	7/1/2015	6/30/2016	24,247,438	21,176,000	114.50%
	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%

\*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.

Fiscal Year Ending June 30,	Contributions Made in Relation to the Actuarially Determined Contributions			Covered Employee Payroll (2)	Contributions as a Percentage of Payroll
	Actuarially Determined Contributions (1)	Contributions Determined (Excess)	Contributions Deficiency		
2017	\$ N/A	\$ 12,000,000	\$ N/A	\$ 522,745,000	2.3%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal.
Asset Valuation Method	Market Value of Assets.
IRS Limit Increases	2.5%
Salary Increases	3.00%
Investment Rate of Return	7.00% net of OPEB plan investment expense, including inflation.
Retirement Age	Varies by age, same as GASB 75
Mortality	RP-2014 Mortality Table fully generational projected using Scale MP-2014. Disabled mortality is assumed to be RP-2014 Disabled Mortality Table, with males set forward 2 years and females rates set forward 3 years.

(1) GASB 75 was effective first for employer fiscal years beginning after June 15, 2017

(2) July 1, 2017 covered payroll was projected from the July 1, 2015 covered payroll using the assumed payroll growth rate of 3.0%

(3) N/A reflects information not applicable for the current fiscal year.

See accompanying notes to the required supplementary information.

**LOUDOUN COUNTY PUBLIC SCHOOLS**

Exhibit XVIII

**Schedule of Changes in the Net OPEB Liability and Related Ratios with Investment Returns  
Other Postemployment Benefits  
For Fiscal Year Ended June 30, 2017**

Changes in the Net OPEB Liability and Related Ratios (1)

	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ N/A
Interest	N/A
Changes of Benefit Terms	N/A
Difference between expected and actual experience	N/A
Changes of Assumptions	N/A
Benefit payments	N/A
Net change in total OPEB liability	N/A
Total OPEB liability, beginning of year	N/A
Total OPEB liability, end of year (a)	<u>\$ 299,301,000</u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions-Employer	\$ 12,000,000
Net investment income	10,053,902
Administrative expense	(500)
Other	<u>(81,795)</u>
Net change in plan fiduciary net position	21,971,607
Plan fiduciary net position, beginning	118,843,399
Plan fiduciary net position, ending (b)	<u>\$ 140,815,006</u>
Net OPEB Liability (ending) (a)-(b)	<u>\$ 158,485,994</u>
<b>Net Position as a Percentage of OPEB Liability</b>	47.05%
<b>Covered-employee payroll (2)</b>	\$ 522,745,000
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	30.32%

**Investment Return Schedule**

	<b>Fiscal Year Ending June 30 2017</b>
Annual money-weighted rate of return,	
Net of investment expense	8.09%

(1) GASB 74 was effective first for employer fiscal years beginning after June 15, 2016

(2) July 1, 2017 covered payroll was projected from the July 1, 2015 covered payroll using the assumed payroll growth rate of 3.0%

(3) Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.

(4) N/A reflects information not applicable for the current fiscal year.

See accompanying notes to the required supplementary information.

# Notes to the Required Supplementary Information

## Loudoun County Public Schools June 30, 2017

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### I. BUDGETARY COMPARISON SCHEDULE

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 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 accounting principles generally accepted 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 actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

##### 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 actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

### **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
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## **C. OTHER POSTEMPLOYMENT BENEFITS**

### **1. Changes of Benefit Terms**

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. GASB 74 requires that additional disclosures be included to disclose the unfunded actuarial full liability in order to accurately account for the total future cost of postemployment benefits.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 8.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

### **2. Changes of Assumptions**

The Schedule of Changes in the Net OPEB Liability reflects an assumed payroll growth rate of 3.0% rather than the 3.25% assumption for UAAL.

## Other Supplementary Information

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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 Fund, and Debt Service Funds

- Combining statements for the Internal Service Funds

- Combining and individual statement for the Agency Funds

- Component Unit statements



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## **Capital Improvements Fund**

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The Capital Improvements 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**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Capital Improvements Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 1**

	Prior Years	Current Year	Total to Date	Project Authorization
<b>REVENUES</b>				
Intergovernmental:				
County of Loudoun, Virginia	\$ 832,581,186	\$ 103,124,442	\$ 935,705,628	\$ 1,221,348,991
Other	450,000	-	450,000	350,000
Total revenues	833,031,186	103,124,442	936,155,628	1,221,698,991
<b>EXPENDITURES</b>				
Current:				
Support services:				
Facilities services	765,208	38,257	803,465	961,000
Capital outlay	760,175,838	124,766,325	884,942,163	1,220,737,991
Total expenditures	760,941,046	124,804,582	885,745,628	1,221,698,991
Excess (deficiency) of revenues over (under) expenditures	72,090,140	(21,680,140)	50,410,000	-
<b>OTHER FINANCING USES</b>				
Transfers out	(55,359)	-	(55,359)	-
Total other financing uses	(55,359)	-	(55,359)	-
Net change in fund balance	\$ 72,034,781	(21,680,140)	\$ 50,354,641	\$ -
Fund balances at beginning of year		72,034,781		
Fund balances at end of year		\$ 50,354,641		



## Nonmajor Governmental Funds

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**Lease Fund** – used to account for lease proceeds and 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, 2017**

	Special Revenue			
	School Nutrition			Capital Asset Preservation
	Lease Fund	Services Fund	Grant Fund	
<b>ASSETS</b>				
Accounts receivable, net	\$ 1,454,798	\$ 101,933	\$ 758,580	\$ -
Due from other governmental units	-	-	1,959,620	-
Interfund receivables	-	11,325,863	2,032,527	9,260,938
Inventories	-	426,203	-	-
Restricted cash on deposit with others	2,281,657	-	-	-
<b>Total assets</b>	<b>\$ 3,736,455</b>	<b>\$ 11,853,999</b>	<b>\$ 4,750,727</b>	<b>\$ 9,260,938</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 175,531	\$ 27,566	\$ 41,248	\$ 869,082
Accrued liabilities	28,580	1,195,436	1,468,002	-
Interfund payables	1,794,914	-	-	-
Unearned revenues	-	1,047,701	3,154,131	-
<b>Total liabilities</b>	<b>1,999,025</b>	<b>2,270,703</b>	<b>4,663,381</b>	<b>869,082</b>
Fund balances:				
Nonspendable:				
Inventories	-	426,203	-	-
Permanent fund-nonexpendable	-	-	-	-
Restricted for:				
Restricted by legal agreement	1,737,430	-	87,346	-
Committed to:				
Subsequent years' appropriations	-	-	-	-
Capital asset preservation	-	-	-	8,391,856
Assigned to:				
School nutrition services fund	-	9,157,093	-	-
<b>Total fund balances</b>	<b>1,737,430</b>	<b>9,583,296</b>	<b>87,346</b>	<b>8,391,856</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,736,455</b>	<b>\$ 11,853,999</b>	<b>\$ 4,750,727</b>	<b>\$ 9,260,938</b>

## Schedule 2

Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ 2,315,311	
-	-	1,959,620	
2,396,901	26,920	25,043,149	
-	-	426,203	
-	-	2,281,657	
<u>\$ 2,396,901</u>	<u>\$ 26,920</u>	<u>\$ 32,025,940</u>	
\$ -	\$ -	\$ 1,113,427	
-	-	2,692,018	
-	-	1,794,914	
-	-	4,201,832	
<u>-</u>	<u>-</u>	<u>9,802,191</u>	
-	-	426,203	
-	26,920	26,920	
-	-	1,824,776	
2,396,901	-	2,396,901	
-	-	8,391,856	
-	-	9,157,093	
<u>2,396,901</u>	<u>26,920</u>	<u>22,223,749</u>	
<u>\$ 2,396,901</u>	<u>\$ 26,920</u>	<u>\$ 32,025,940</u>	

**ASSETS**

Accounts receivable, net

Due from other governmental units

Interfund receivables

Inventories

Restricted cash on deposit with others

Total assets

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable

Accrued liabilities

Interfund payables

Unearned revenues

Total liabilities

Fund balances:

Nonspendable:

Inventories

Permanent fund-nonexpendable

Restricted for:

Restricted by legal agreement

Committed to:

Subsequent years' appropriations

Capital asset preservation

Assigned to:

School nutrition services fund

Total fund balances

Total liabilities and fund balances

# LOUDOUN COUNTY PUBLIC SCHOOLS

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Special Revenue			Capital Asset Preservation
	Lease Fund	School Nutrition Services Fund	Grant Fund	
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ -	\$ 9,731,055	\$ 15,212,078	\$ -
Commonwealth of Virginia	-	380,546	5,959,881	-
County of Loudoun, Virginia	-	-	-	8,992,500
Charges for services:				
Tuition and fees	-	-	35,753	-
Food sales	-	18,633,779	-	-
Other	7,783	-	1,273,603	-
Total revenues	7,783	28,745,380	22,481,315	8,992,500
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	-	-	6,890,778	-
Special	-	-	11,531,512	-
Adult education	-	-	330,207	-
Support services:				
Pupil transportation	321,126	-	-	-
Operation and maintenance	1,499,188	-	-	4,886,005
School nutrition services	-	25,482,891	37,617	-
Technology	5,714,186	-	3,634,951	-
Capital outlay	4,038,417	-	19,420	1,411,767
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	11,572,917	25,482,891	22,444,485	6,297,772
Excess (deficiency) of revenues over (under) expenditures	(11,565,134)	3,262,489	36,830	2,694,728
<b>OTHER FINANCING SOURCES</b>				
Capital leases and installment purchases	10,000,000	-	-	-
Net change in fund balances	(1,565,134)	3,262,489	36,830	2,694,728
Fund balances at beginning of year	3,302,564	6,320,807	50,516	5,697,128
Fund balances at end of year	\$ 1,737,430	\$ 9,583,296	\$ 87,346	\$ 8,391,856

## Schedule 3

Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ 24,943,133	
-	-	6,340,427	
10,273,351	-	19,265,851	
-	-	35,753	
-	-	18,633,779	
-	-	1,281,386	
10,273,351	-	70,500,329	
-	1,400	6,892,178	
-	-	11,531,512	
-	-	330,207	
-	-	321,126	
-	-	6,385,193	
-	-	25,520,508	
-	-	9,349,137	
-	-	5,469,604	
9,972,603	-	9,972,603	
300,748	-	300,748	
10,273,351	1,400	76,072,816	
-	(1,400)	(5,572,487)	
-	-	10,000,000	
-	(1,400)	4,427,513	
2,396,901	28,320	17,796,236	
\$ 2,396,901	\$ 26,920	\$ 22,223,749	

**REVENUES**

Intergovernmental:

- Federal government
- Commonwealth of Virginia
- County of Loudoun, Virginia

Charges for services:

- Tuition and fees
- Food sales
- Other

Total revenues

**EXPENDITURES**

Current:

Instruction:

- Regular
- Special
- Adult education

Support services:

- Pupil transportation
- Operation and maintenance
- School nutrition services
- Technology

Capital outlay

Debt service:

- Principal
- Interest

Total expenditures

Excess (deficiency) of revenues over (under) expenditures

**OTHER FINANCING SOURCES**

Capital leases and installment purchases

Net change in fund balances

Fund balances at beginning of year

Fund balances at end of year

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Lease Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 4**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Other	\$ -	\$ -	\$ 7,783	\$ 7,783
<b>EXPENDITURES</b>				
Current:				
Pupil transportation	-	338,126	321,126	17,000
Operation and maintenance	-	1,700,000	1,499,188	200,812
Technology	6,200,000	7,568,363	5,714,186	1,854,177
Capital outlay	3,800,000	3,694,467	4,038,417	(343,950)
Total expenditures	10,000,000	13,300,956	11,572,917	1,728,039
Excess (deficiency) of revenues over (under) expenditures	(10,000,000)	(13,300,956)	(11,565,134)	1,735,822
<b>OTHER FINANCING SOURCES</b>				
Capital leases and installment purchases	10,000,000	13,300,956	10,000,000	(3,300,956)
Net change in fund balances	-	-	(1,565,134)	(1,565,134)
Fund balances at beginning of year	3,302,564	3,302,564	3,302,564	-
Fund balances at end of year	\$ 3,302,564	\$ 3,302,564	\$ 1,737,430	\$ (1,565,134)

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**School Nutrition Services Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 5**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 8,571,743	\$ 8,571,743	\$ 9,731,055	\$ 1,159,312
Commonwealth of Virginia	314,421	314,421	380,546	66,125
Charges for services:				
Food sales	17,436,334	17,436,373	18,633,779	1,197,406
Total revenues	26,322,498	26,322,537	28,745,380	2,422,843
<b>EXPENDITURES</b>				
Current:				
Support services:				
School nutrition services	26,312,498	26,312,537	25,482,891	829,646
Capital outlay	10,000	10,000	-	10,000
Total expenditures	26,322,498	26,322,537	25,482,891	839,646
Net change in fund balances	-	-	3,262,489	3,262,489
Fund balances at beginning of year	6,320,807	6,320,807	6,320,807	-
Fund balances at end of year	\$ 6,320,807	\$ 6,320,807	\$ 9,583,296	\$ 3,262,489

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Grant Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 6**

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>REVENUES</b>				
Intergovernmental:				
Federal government	\$ 14,150,570	\$ 21,206,025	\$ 15,212,078	\$ (5,993,947)
Commonwealth of Virginia	4,686,663	9,613,210	5,959,881	(3,653,329)
Charges for services:				
Tuition and fees	50,000	53,609	35,753	(17,856)
Other	1,868,065	2,657,958	1,273,603	(1,384,355)
Total revenues	20,755,298	33,530,802	22,481,315	(11,049,487)
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	6,429,781	9,915,434	6,890,778	3,024,656
Special	11,350,818	17,251,827	11,531,512	5,720,315
Adult education	321,519	412,596	330,207	82,389
Support services:				
School nutrition services	-	76,760	37,617	39,143
Technology	2,379,000	5,457,621	3,634,951	1,822,670
Capital outlay	274,180	416,564	19,420	397,144
Total expenditures	20,755,298	33,530,802	22,444,485	11,086,317
Net change in fund balances	-	-	36,830	36,830
Fund balances at beginning of year	50,516	50,516	50,516	-
Fund balances at end of year	\$ 50,516	\$ 50,516	\$ 87,346	\$ 36,830



**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Capital Asset Preservation Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 7**

	Prior Years	Current Year	Total to Date	Project Authorization
<b>REVENUES</b>				
Intergovernmental:				
County of Loudoun, Virginia	\$ 5,697,128	\$ 8,992,500	\$ 14,689,628	\$ 14,689,628
Total revenues	5,697,128	8,992,500	14,689,628	14,689,628
<b>EXPENDITURES</b>				
Current:				
Support services:				
Operation and maintenance	-	4,886,005	4,886,005	13,811,222
Capital outlay	-	1,411,767	1,411,767	878,406
Total expenditures	-	6,297,772	6,297,772	14,689,628
Net change in fund balances	<u>\$ 5,697,128</u>	2,694,728	<u>\$ 8,391,856</u>	<u>\$ -</u>
Fund balances at beginning of year		5,697,128		
Fund balances at end of year		<u>\$ 8,391,856</u>		

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Budgetary Comparison Schedule - Budget and Actual**  
**Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 8**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance from Final Budget</b>
<b>REVENUES</b>				
Intergovernmental:				
County of Loudoun, Virginia	\$ 10,273,351	\$ 10,273,351	\$ 10,273,351	\$ -
Total revenues	10,273,351	10,273,351	10,273,351	-
<b>EXPENDITURES</b>				
Debt service:				
Principal	9,972,603	9,972,603	9,972,603	-
Interest	300,748	300,748	300,748	-
Total expenditures	10,273,351	10,273,351	10,273,351	-
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	2,396,901	2,396,901	2,396,901	-
Fund balances at end of year	\$ 2,396,901	\$ 2,396,901	\$ 2,396,901	\$ -

## Proprietary Funds-Internal Service Funds

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**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 workers' compensation insurance program.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

**Schedule 9**

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Accounts receivable, net	\$ 8,332	\$ 433,222	\$ 441,554
Interfund receivables	-	40,856,284	40,856,284
Inventories	720,006	-	720,006
Deposits	-	2,719,000	2,719,000
Total current assets	728,338	44,008,506	44,736,844
Noncurrent assets:			
Capital assets:			
Buildings	4,676,410	-	4,676,410
Machinery and equipment	564,940	-	564,940
Accumulated depreciation	(1,517,712)	-	(1,517,712)
Total noncurrent assets	3,723,638	-	3,723,638
Total assets	4,451,976	44,008,506	48,460,482
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	646,563	-	646,563
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	243,919	43,095	287,014
Accrued liabilities	-	2,379,943	2,379,943
Interfund payables	927,249	-	927,249
Claims liabilities	-	16,762,465	16,762,465
Total current liabilities	1,171,168	19,185,503	20,356,671
Noncurrent liabilities:			
Claims liabilities	-	518,427	518,427
Net pension liability	1,413,344	-	1,413,344
Total noncurrent liabilities	1,413,344	518,427	1,931,771
Total liabilities	2,584,512	19,703,930	22,288,442
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	36,399	-	36,399
<b>NET POSITION</b>			
Invested in capital assets	3,723,638	-	3,723,638
Unrestricted	(1,246,010)	24,304,576	23,058,566
Total net position	\$ 2,477,628	\$ 24,304,576	\$ 26,782,204

# 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, 2017

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 17,766,379	\$ 180,470,920	\$ 198,237,299
Use of property	10,330	-	10,330
Total operating revenues	17,776,709	180,470,920	198,247,629
<b>OPERATING EXPENSES</b>			
Claims	-	154,055,951	154,055,951
Personnel services	5,738,190	4,034,097	9,772,287
Other services and charges	2,776,278	8,777,120	11,553,398
Materials and supplies	8,828,307	200,635	9,028,942
Depreciation	208,876	-	208,876
Total operating expenses	17,551,651	167,067,803	184,619,454
Operating income before transfers	225,058	13,403,117	13,628,175
<b>NONOPERATING EXPENSES</b>			
Loss on sale of capital assets	(182)	-	(182)
Net income before contributions and transfers	224,876	13,403,117	13,627,993
Transfers in	-	10,901,458	10,901,458
Transfers out	-	(23,824,678)	(23,824,678)
Change in net position	224,876	479,897	704,773
Net position at beginning of year	2,252,752	23,824,679	26,077,431
Net position at end of year	\$ 2,477,628	\$ 24,304,576	\$ 26,782,204

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Schedule 11**

	Central Service Fund	Self Insurance Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 17,778,266	\$ 180,436,189	\$ 198,214,455
Payments to suppliers for goods and services	(11,538,400)	(7,254,358)	(18,792,758)
Claims paid	-	(150,863,389)	(150,863,389)
Payments to employees	(5,735,402)	(4,034,097)	(9,769,499)
Payments to interfund services	(429,086)	(5,361,125)	(5,790,211)
Net cash provided by operating activities	75,378	12,923,220	12,998,598
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	10,901,458	10,901,458
Transfers out	-	(23,824,678)	(23,824,678)
Net cash used in noncapital financing activities	-	(12,923,220)	(12,923,220)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to capital assets	(75,684)	-	(75,684)
Gain on sale of capital assets	306	-	306
Net cash used in capital and related financing activities	(75,378)	-	(75,378)
Net cash	-	-	-
Cash at beginning of year	-	-	-
Cash at end of year	\$ -	\$ -	\$ -
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>			
<b>NET OPERATING INCOME</b>	\$ 225,058	\$ 13,403,117	\$ 13,628,175
<b>ADJUSTMENTS NOT AFFECTING CASH</b>			
Depreciation	208,876	-	208,876
<b>(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES</b>			
Accounts receivable, net	1,557	(34,731)	(33,174)
Interfund receivables	-	(5,361,125)	(5,361,125)
Inventories	(13,732)	-	(13,732)
Accounts payable	79,917	16,416	96,333
Accrued liabilities	-	1,706,981	1,706,981
Interfund payables	(429,086)	-	(429,086)
Claims liabilities	-	3,192,562	3,192,562
Net pension liability	2,788	-	2,788
Total adjustments	(149,680)	(479,897)	(629,577)
Net cash provided by operating activities	\$ 75,378	\$ 12,923,220	\$ 12,998,598

## Fiduciary Funds-Agency Funds

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**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**  
**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**For Fiscal Year Ended June 30, 2017**

**Schedule 12**

	<b>Payroll Liabilities</b>	<b>Student</b>	<b>Total</b>
	<b>Distribution</b>	<b>Activity</b>	<b>Agency</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 7,767,961	\$ 7,767,961
Accounts receivable, net	3,200	-	3,200
Due from General Fund	13,594,486	-	13,594,486
<b>Total assets</b>	<b>\$ 13,597,686</b>	<b>\$ 7,767,961</b>	<b>\$ 21,365,647</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 13,597,686	\$ -	\$ 13,597,686
Collections held in trust	-	7,767,961	7,767,961
<b>Total liabilities</b>	<b>\$ 13,597,686</b>	<b>\$ 7,767,961</b>	<b>\$ 21,365,647</b>



**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Payroll Liabilities Distribution Fund**  
**For Fiscal Year Ended June 30, 2017**

**Schedule 13**

	<b>Balance</b>			<b>Balance</b>	
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2017</b>	
<b>ASSETS</b>					
Accounts receivable, net	\$ 1,391	\$ 4,398	\$ 2,589	\$ 3,200	
Due from general fund	11,954,707	494,299,997	492,660,218	13,594,486	
Total assets	<u>\$ 11,956,098</u>	<u>\$ 494,304,395</u>	<u>\$ 492,662,807</u>	<u>\$ 13,597,686</u>	
<b>LIABILITIES</b>					
Accounts payable	\$ 11,956,098	\$ 438,022,543	\$ 436,380,955	\$ 13,597,686	
Total liabilities	<u>\$ 11,956,098</u>	<u>\$ 438,022,543</u>	<u>\$ 436,380,955</u>	<u>\$ 13,597,686</u>	

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Student Activity Fund**  
**For Fiscal Year Ended June 30, 2017**

**Schedule 14**

	<b>Balance</b>			<b>Balance</b>	
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2017</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,113,401	\$ 21,436,048	\$ 20,781,488	\$ 7,767,961	
Total assets	<u>\$ 7,113,401</u>	<u>\$ 21,436,048</u>	<u>\$ 20,781,488</u>	<u>\$ 7,767,961</u>	
<b>LIABILITIES</b>					
Collections held in trust	\$ 7,113,401	\$ 21,436,048	\$ 20,781,488	\$ 7,767,961	
Total liabilities	<u>\$ 7,113,401</u>	<u>\$ 21,436,048</u>	<u>\$ 20,781,488</u>	<u>\$ 7,767,961</u>	

## Component Units

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**The Middleburg Community Charter School and The Hillsboro Charter Academy** - for the purpose of increasing choices for parents of public school students and increasing academic performance.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Fund**  
**Component Unit-Middleburg Community Charter School**  
**June 30, 2017**

**Schedule 15**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 61,569
Due from governmental units	45,924
	<u>\$ 107,493</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Accounts payable	\$ 34,685
Payroll liabilities	4,244
Due to Primary Government	77,297
	<u>116,226</u>
Fund balances:	
Unassigned	(8,733)
	<u>(8,733)</u>
Total fund balance	<u>(8,733)</u>
Total liabilities and fund balance	<u>\$ 107,493</u>

**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, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 4,166
Miscellaneous	569
Donations and contributions	56,801
Contributions from Loudoun County Public Schools	2,003,375
Revenue from the Commonwealth	147,771
Total revenues	<u>2,212,682</u>
<b>EXPENDITURES</b>	
Education:	
Instructional	1,675,075
Attendance and health services	90,578
Transportation	120,840
Operation and maintenance	418,788
Food services	4,668
Total expenditures	<u>2,309,949</u>
Deficiency of revenues under expenditures	(97,267)
Fund balances at beginning of year	88,534
Fund balances at end of year	<u>\$ (8,733)</u>

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**Component Unit-Middleburg Community Charter School**  
**June 30, 2017**

**Schedule 17**

	<u>Agency Fund</u> <u>Student Activity</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,358
Total assets	<u>\$ 4,358</u>
<b>LIABILITIES</b>	
Amounts held for student activities	\$ 4,358
Total liabilities	<u>\$ 4,358</u>

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Fund**  
**Component Unit-Middleburg Community Charter School**  
**For the Year Ended June 30, 2017**

**Schedule 18**

	Agency Fund-Student Activity Fund			
	Balance		Balance	
	June 30, 2016	Additions	Deductions	June 30, 2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 894	\$ 31,793	\$ 28,329	\$ 4,358
Total assets	<u>\$ 894</u>	<u>\$ 31,793</u>	<u>\$ 28,329</u>	<u>\$ 4,358</u>
<b>LIABILITIES</b>				
Amounts held for student activities	\$ 894	\$ 31,793	\$ 28,329	\$ 4,358
Total liabilities	<u>\$ 894</u>	<u>\$ 31,793</u>	<u>\$ 28,329</u>	<u>\$ 4,358</u>

**LOUDOUN COUNTY PUBLIC SCHOOLS****Schedule 19****Balance Sheet****Governmental Fund****Component Unit-Hillsboro Charter Academy****June 30, 2017**

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 131,583
Accounts receivable	1,830
Total assets	<u>\$ 133,413</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Accounts payable	\$ 10,651
Due to primary government	8,366
Total liabilities	<u>19,017</u>
Fund balances:	
Unassigned	114,396
Total fund balance	<u>114,396</u>
Total liabilities and fund balance	<u>\$ 133,413</u>



**LOUDOUN COUNTY PUBLIC SCHOOLS****Schedule 20****Statement of Revenues, Expenditures and Changes in Fund Balance****Governmental Fund****Component Unit-Hillsboro Charter Academy****For Fiscal Year Ended June 30, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Student fees	\$ 31,001
Miscellaneous	9,068
Donations and contributions	86,620
Fundraising	29,272
Revenue from the use of money and property	500
Contributions from Loudoun County Public Schools	1,840,582
Grants	13,624
Revenue from the Commonwealth	20,000
Total revenues	<u>2,030,667</u>
<b>EXPENDITURES</b>	
Education:	
Instructional	1,312,911
Administration and health services	133,902
Transportation	56,832
Operation and maintenance	378,248
Fundraising	3,091
Food services	31,287
Total expenditures	<u>1,916,271</u>
Excess of revenues over expenditures	114,396
Fund balances at beginning of year	-
Fund balances at end of year	<u>\$ 114,396</u>



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# Statistical Section

Unaudited-See accompanying accountant's report

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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

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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)

# **LOUDOUN COUNTY PUBLIC SCHOOLS** **Net Position by Component**

(accrual basis of accounting)

Governmental Activities	Fiscal Year				
	2017	2016	2015	2014 (1)	2013
Net investment in capital assets	\$ 1,634,288,422	\$ 1,583,599,591	\$ 1,532,224,787	\$ 1,469,383,294	\$ 1,345,039,435
Restricted	1,851,696	3,381,400	29,406	32,647,494	45,542,377
Unrestricted	(718,725,777)	(746,910,871)	(821,309,109)	(87,816,066)	(101,134,357)
Total net position, as previously reported	917,414,341	840,070,120	710,945,084	1,414,214,722	1,289,447,455
Prior period adjustments	-	-	-	(783,249,733)	-
Total net position	\$ 917,414,341	\$ 840,070,120	\$ 710,945,084	\$ 630,964,989	\$ 1,289,447,455

(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 omission of Due to County of \$3,500,000 relating to FY13.

Table A

(accrual basis of accounting)					
Fiscal Year					Governmental Activities
2012	2011	2010	2009	2008	
\$ 1,296,827,243	\$ 1,270,621,901	\$ 1,186,800,468	\$ 1,086,311,784	\$ 1,046,108,896	Net investment in capital assets
12,565,925	69,473,633	95,452,677	160,218,669	93,074,981	Restricted
(69,354,696)	(12,775,272)	8,838,294	25,277,868	57,170,979	Unrestricted
1,240,038,472	1,327,320,262	1,291,091,439	1,271,808,321	1,196,354,856	Total net position, as previously reported
-	(34,531,174)	-	-	-	Prior period adjustments
<u>\$ 1,240,038,472</u>	<u>\$ 1,292,789,088</u>	<u>\$ 1,291,091,439</u>	<u>\$ 1,271,808,321</u>	<u>\$ 1,196,354,856</u>	Total net position

# LOUDOUN COUNTY PUBLIC SCHOOLS

## Changes in Net Position

(accrual basis of accounting)

Governmental Activities	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Expenses</b>					
Instruction:					
Regular	\$ 689,981,195	\$ 621,120,465	\$ 598,844,655	\$ 554,392,389	\$ 544,209,456
Special	160,599,364	145,456,923	142,401,177	129,244,542	150,140,769
Adult education	774,264	707,242	759,725	736,678	820,681
Other	1,839,511	1,711,412	1,383,824	2,435,818	4,229,954
Charter Schools	3,269,360	1,435,100	1,378,767	-	-
Total instruction	856,463,694	770,431,142	744,768,148	686,809,427	699,400,860
Support Services:					
Administration	26,693,802	23,030,952	21,995,247	19,754,018	19,821,969
Attendance and health	14,965,974	13,540,598	13,497,921	12,459,804	11,188,037
Pupil transportation	56,126,296	55,634,667	56,085,138	56,467,025	57,473,572
Facilities services	4,249,055	2,340,378	1,823,048	1,924,504	3,377,440
Operation and maintenance	83,989,938	81,867,506	82,258,524	73,352,930	77,922,303
School nutrition services	26,095,594	24,226,030	22,419,261	23,401,309	25,892,431
Total support services	212,120,659	200,640,131	198,079,139	187,359,590	195,675,752
Technology	37,424,763	30,055,892	30,487,363	23,544,855	22,013,000
Interest on long-term debt	299,611	301,611	283,289	280,174	296,132
Total Expenses	1,106,308,727	1,001,428,776	973,617,939	897,994,046	917,385,744
<b>Program Revenues</b>					
Charges for services:					
Regular instruction	2,594,197	2,506,063	2,319,185	221,019	256,118
All other instruction	312,992	291,785	242,873	2,079,239	2,255,854
School nutrition services	18,633,779	16,454,344	15,786,657	15,422,559	16,130,468
Operating grants and contributions	34,998,883	28,826,012	27,360,795	25,269,020	28,188,749
Capital grants and contributions	112,116,942	106,240,042	141,662,059	148,057,525	112,100,829
Total program revenues	168,656,793	154,318,246	187,371,569	191,049,362	158,932,018
Net (expense)	(937,651,934)	(847,110,530)	(786,246,370)	(706,944,684)	(758,453,726)
<b>General Revenues and Other Changes in Net Position</b>					
Grants and contributions not restricted to specific purposes:					
Federal Government	252,028	225,367	225,392	1,284,916	309,764
Commonwealth of Virginia	316,787,568	289,484,886	275,124,246	256,765,872	247,085,380
County of Loudoun, Virginia	692,137,749	679,458,663	610,280,440	566,207,402	553,640,610
Revenue from the use of money and property	1,788,122	1,959,285	1,729,089	2,026,055	2,166,749
Other	4,030,688	5,107,365	5,632,056	5,427,706	4,660,206
Special items	-	-	(26,764,758)	-	-
Total general revenues and other changes in net position	1,014,996,155	976,235,566	866,226,465	831,711,951	807,862,709
<b>Change in Net Position</b>	\$ 77,344,221	\$ 129,125,036	\$ 79,980,095	\$ 124,767,267	\$ 49,408,983



Table B

(accrual basis of accounting)					
Fiscal Year					
2012	2011	2010	2009	2008	Governmental Activities
					<b>Expenses</b>
					Instruction:
\$ 498,166,427	\$ 465,240,531	\$ 464,661,346	\$ 471,240,098	\$ 471,197,037	Regular
134,924,678	124,011,095	120,605,745	123,261,065	113,903,431	Special
787,327	760,810	769,910	770,593	592,895	Adult education
3,689,350	2,917,550	4,002,410	4,883,320	4,782,646	Other
-	-	-	-	-	Charter School
637,567,782	592,929,986	590,039,411	600,155,076	590,476,009	Total instruction
					Support Services:
18,052,399	15,074,767	15,824,671	18,347,484	18,928,502	Administration
10,734,630	10,064,592	9,314,661	9,434,209	8,961,397	Attendance and health
55,331,621	51,561,510	50,694,334	54,943,361	54,047,475	Pupil transportation
3,529,974	3,275,504	3,689,902	3,263,164	4,491,291	Facilities services
73,877,222	68,467,436	67,939,211	66,991,571	62,285,061	Operation and maintenance
22,892,698	20,986,848	20,000,225	20,643,026	19,817,198	School nutrition services
184,418,544	169,430,657	167,463,004	173,622,815	168,530,924	Total support services
20,048,569	19,278,461	13,359,595	22,981,405	23,107,219	Technology
378,606	504,983	703,699	873,645	905,360	Interest on long-term debt
842,413,501	782,144,087	771,565,709	797,632,941	783,019,512	Total Expenses
					<b>Program Revenues</b>
					Charges for services:
329,664	281,123	1,260,283	427,516	452,892	Regular instruction
2,072,849	1,821,150	923,957	595,899	829,348	All other instruction
17,197,025	15,390,731	14,435,361	14,640,606	14,106,127	School nutrition services
32,446,316	42,960,956	27,462,090	23,065,337	21,408,189	Operating grants and contributions
14,393,179	56,206,737	43,444,555	114,790,866	16,207,909	Capital grants and contributions
66,439,033	116,660,697	87,526,246	153,520,224	53,004,465	Total program revenues
(775,974,468)	(665,483,390)	(684,039,463)	(644,112,717)	(730,015,047)	Net (expense)
					<b>General Revenues and Other Changes in Net Position</b>
					Grants and contributions not restricted to specific purposes:
262,340	215,102	17,592,422	187,092	172,027	Federal Government
215,824,328	197,840,065	164,606,186	176,955,174	154,345,013	Commonwealth of Virginia
501,922,225	464,830,655	515,093,801	532,583,195	523,438,195	County of Loudoun, Virginia
2,468,547	1,968,263	2,225,179	1,276,599	1,374,947	Revenue from the use of money and property
2,746,412	2,326,953	3,804,993	3,648,838	2,181,438	Other
-	-	-	4,915,284	52,534,446	Special items
723,223,852	667,181,038	703,322,581	719,566,182	734,046,066	Total general revenues and other changes in net position
\$ (52,750,616)	\$ 1,697,648	\$ 19,283,118	\$ 75,453,465	\$ 4,031,019	<b>Change in Net Position</b>

# **LOUDOUN COUNTY PUBLIC SCHOOLS** **Fund Balances of Governmental Funds**

(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014 (2)	2013
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	\$ 138,578	\$ 154,865	\$ 201,346	\$ 120,733	\$ 357,661
Restricted	-	-	647,714	1,760,162	-
Committed	-	-	-	26,764,758	27,734,254
Assigned	24,966,285	21,924,835	14,567,565	13,458,757	15,346,560
Unassigned	15,491,769	53	140,519	-	940,166
Total General Fund	40,596,632	22,079,753	15,557,144	42,104,410	44,378,641
All other governmental funds:					
Nonspendable	503,123	408,938	385,874	460,369	820,962
Restricted	1,824,776	3,353,080	429,222	32,615,988	45,509,471
Committed	61,093,398	80,078,810	77,103,392	3,681,948	1,941,931
Assigned	9,157,093	5,990,189	4,439,211	2,715,886	2,833,861
Unassigned	-	-	(170,014)	(169,158)	-
Total all other governmental funds	72,578,390	89,831,017	82,187,685	39,305,033	51,106,225
Total governmental funds, previously reported	113,175,022	111,910,770	97,744,829	81,409,443	95,484,866
Prior period adjustment	-	-	-	(3,500,000)	-
Total governmental funds	\$ 113,175,022	\$ 111,910,770	\$ 97,744,829	\$ 77,909,443	\$ 95,484,866

(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 Year					
2012	2011	2010 (1)	2009	2008	
		\$ 5,106,821	\$ 7,219,418	\$ 5,453,180	General Fund:
					Reserved
		21,251,835	21,979,177	19,566,122	Unreserved:
		40,834,609	27,540,779	18,908,769	Designated
		67,193,265	56,739,374	43,928,071	Undesignated
					Total General Fund
		49,544,036	112,941,078	31,715,083	All other governmental funds:
					Reserved
					Unreserved:
		59,786,608	76,223,606	106,099,604	Designated:
		1,362,971	1,564,781	949,380	Capital Improvements Fund
		4,871,213	6,021,973	8,538,869	School Nutrition Services Fund
		2,817,028	2,755,318	2,741,164	Capital Asset Preservation Fund
		118,381,856	199,506,756	150,044,100	Debt Service Fund
					Total all other governmental funds
		\$ 185,575,121	\$ 256,246,130	\$ 193,972,171	Total governmental funds
\$ 257,478	\$ 373,807	\$ 371,977			General Fund:
139,923	139,733	154,535			Nonspendable
34,859,396	34,062,781	21,251,835			Restricted
6,381,727	9,788,628	4,602,384			Committed
1,050,478	17,267,996	40,812,534			Assigned
					Unassigned
42,689,002	61,632,945	67,193,265			Total General Fund
710,751	762,265	440,129			All other governmental funds:
12,695,648	69,771,866	95,771,366			Nonspendable
1,584,871	10,907,154	3,913,563			Restricted
4,602,172	16,016,808	18,256,798			Committed
-	-	-			Assigned
					Unassigned
19,593,442	97,458,093	118,381,856			Total all other governmental funds
62,282,444	159,091,038	185,575,121			Total governmental funds, previously reported
-	-	-			Prior period adjustment
\$ 62,282,444	\$ 159,091,038	\$ 185,575,121			Total governmental funds

# LOUDOUN COUNTY PUBLIC SCHOOLS

## Changes in Fund Balances of Governmental Funds

(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Intergovernmental	\$ 1,152,913,390	\$ 1,102,620,217	\$ 1,053,666,344	\$ 983,141,375	\$ 941,325,334
Charges for services	21,540,968	19,252,192	18,348,715	17,722,817	18,642,425
Revenue from the use of money and property	1,873,339	1,958,475	1,717,382	2,067,086	1,891,239
Recovered costs	3,547,551	2,363,494	2,320,500	2,343,701	1,272,925
Other	3,754,591	4,506,263	4,091,304	4,624,365	3,639,900
Total revenues	1,183,629,839	1,130,700,641	1,080,144,245	1,009,899,344	966,771,823
<b>Expenditures</b>					
Current:					
Instruction	814,953,656	761,368,922	709,551,487	663,454,627	640,643,449
Support services	206,364,658	199,404,249	190,099,253	181,309,660	181,711,775
Technology	36,366,962	29,539,481	29,484,711	22,659,717	20,720,834
Capital outlay	137,330,180	103,463,999	100,059,392	154,728,949	90,315,280
Debt service:					
Principal	9,972,603	9,214,448	8,738,395	7,865,235	7,859,917
Interest	300,748	275,601	264,102	294,160	363,146
Total expenditures	1,205,288,807	1,103,266,700	1,038,197,340	1,030,312,348	941,614,401
Excess (deficiency) of revenues over (under) expenditures	(21,658,968)	27,433,941	41,946,905	(20,413,004)	25,157,422
<b>Other financing sources (uses)</b>					
Capital leases and installment purchases	10,000,000	10,000,000	10,000,000	10,000,000	9,926,000
Transfers in	23,824,678	-	-	-	55,359
Transfers out	(10,901,458)	(23,268,000)	(5,346,761)	(3,662,419)	(1,936,359)
Total other financing sources (uses), net	22,923,220	(13,268,000)	4,653,239	6,337,581	8,045,000
<b>Special items</b>	-	-	(26,764,758)	-	-
<b>Net change in fund balances</b>	\$ 1,264,252	\$ 14,165,941	\$ 19,835,386	\$ (14,075,423)	\$ 33,202,422
Debt service as a percentage of noncapital expenditures	0.96%	0.95%	0.93%	0.93%	0.97%

Table D

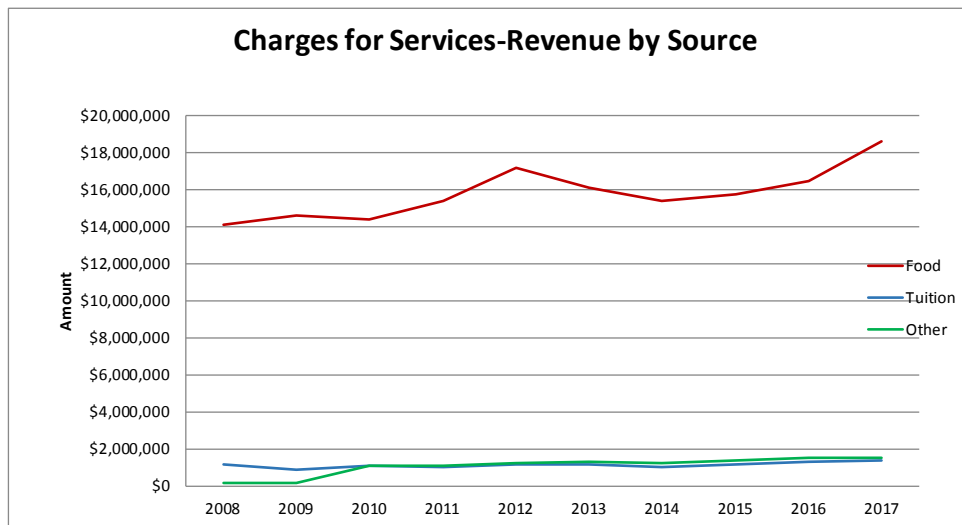
(modified accrual basis of accounting)					
Fiscal Year					
2012	2011	2010	2009	2008	
\$ 763,402,998	\$ 761,007,710	\$ 768,199,054	\$ 859,924,227	\$ 768,438,098	<b>Revenues</b>
19,599,523	17,493,004	16,619,601	15,664,021	15,388,368	Intergovernmental
1,628,008	1,731,045	1,826,239	1,171,360	1,535,936	Charges for services
990,753	777,941	1,643,011	1,687,246	1,176,560	Revenue from the use of money and property
3,438,034	2,705,833	2,161,982	1,961,592	1,613,301	Recovered costs
789,059,316	783,715,533	790,449,887	880,408,446	788,152,263	Other
					Total revenues
					<b>Expenditures</b>
					Current:
593,019,659	548,789,942	553,924,417	557,051,356	526,299,948	Instruction
173,163,246	157,287,431	157,707,112	161,757,163	154,165,882	Support services
19,094,197	18,342,289	12,434,855	22,060,892	22,045,908	Technology
96,087,978	82,810,759	129,654,365	68,959,648	157,201,684	Capital outlay
					Debt service:
8,420,767	8,764,638	10,630,454	9,210,454	8,858,747	Principal
500,063	648,557	824,868	836,791	703,814	Interest
890,285,910	816,643,616	865,176,071	819,876,304	869,275,983	Total expenditures
(101,226,594)	(32,928,083)	(74,726,184)	60,532,142	(81,123,720)	Excess (deficiency) of revenues over (under) expenditures
7,000,000	8,144,000	6,363,000	10,000,000	9,959,818	<b>Other financing sources (uses)</b>
-	-	-	1,267,444	-	Capital leases and installment purchases
(2,582,000)	(1,700,000)	(2,307,825)	(9,525,627)	(1,102,000)	Transfers in
4,418,000	6,444,000	4,055,175	1,741,817	8,857,818	Transfers out
-	-	-	-	-	Total other financing sources (uses), net
					<b>Special items</b>
\$ (96,808,594)	\$ (26,484,083)	\$ (70,671,009)	\$ 62,273,959	\$ (72,265,902)	<b>Net change in fund balances</b>
1.12%	1.28%	1.56%	1.34%	1.34%	Debt service as a percentage of noncapital expenditures

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Charges for Services Revenue**  
**by Source (1)**

**Table E**

(modified accrual basis of accounting)

Fiscal Year	Food Sales	Tuition	Testing Fees (2)	Driver's ED Fees	Miscellaneous Fees	Total
2017	\$ 18,633,779	\$ 1,375,894	\$ 1,223,442	\$ 258,270	\$ 49,583	21,540,968
2016	16,454,344	1,268,321	1,174,692	284,332	70,503	19,252,192
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



(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**  
**School Nutrition Services Sales Price Breakdown**

**Table F**

Fiscal Year	Breakfast		Lunch		
	Student	Adult	Student		Adult
			Elementary	Secondary	
2017	\$2.10	n/a(1)	\$3.00	\$3.10	\$4.10
2016	\$2.10	n/a(1)	\$3.00	\$3.10	\$4.10
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

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

Source: LCPS - School Nutrition Services Office

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Food Sales - Annual Meals Served**

**Table G**

Fiscal Year	Students Served				Adult Lunches
	Free & Reduced		Free & Reduced		
	Breakfasts	Breakfasts	Lunches	Lunches	
2017	236,467	763,087	2,753,158	1,869,432	52,413
2016	220,562	741,029	2,443,532	1,728,039	52,595
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

Source: LCPS - School Nutrition Services Office



**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Ratios of Outstanding Debt by Type**

**Table H**

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Total Reporting Entity</b>	<b>Percentage of Personal Income</b>	<b>Debt Per Capita</b>
2017	\$ 25,145,907	\$ 25,145,907	0.09%	\$ 64
2016	25,118,510	25,118,510	0.09%	66
2015	24,332,957	24,332,957	0.09%	66
2014	23,071,352	23,071,352	0.10%	65
2013	20,936,587	20,936,587	0.09%	61
2012	18,870,504	18,870,504	0.08%	57
2011	20,291,271	20,291,271	0.10%	63
2010	20,911,909	20,911,909	0.11%	67
2009	25,179,363	25,179,363	0.13%	83
2008	24,389,818	24,389,818	0.13%	82

Source: LCPS Comprehensive Annual Financial Reports 2009-2017  
County Comprehensive Annual Financial Report 2008

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Demographic Statistics**

**Table I**

<b>Year</b>	<b>Population (1)</b>	<b>Personal Income (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Unemployment Rate (4)</b>	<b>School Enrollment (5)</b>
2017	392,711	\$ 29,492,596,100	\$ 75,100	3.2%	79,001
2016	379,807	27,346,104,000	72,000	3.4%	76,263
2015	368,669	25,768,119,755	69,895	3.8%	73,461
2014	354,983	23,943,603,350	67,450	4.5%	70,858
2013	341,187	22,668,805,467	66,441	4.8%	68,289
2012	328,890	22,421,746,860	68,174	4.8%	65,668
2011	320,171	21,134,487,710	66,010	5.0%	63,220
2010	312,311	19,668,097,536	62,976	5.2%	60,096
2009	304,964	18,746,442,044	61,471	5.0%	57,009
2008	298,420	19,175,275,520	64,256	2.9%	54,047

(1) Loudoun County Department of Planning & Zoning, 2017 Fiscal Impact Committee Guidelines.

(2) Loudoun County Department of Management and Budget

(3) Through 2015: U.S. Bureau of Economic Analysis, 11/17/2016 release; 2016-17 Department of Management and Budget estimates.

(4) Virginia Employment Commission for the month of June. Prior year values reflect updates and revisions to labor force estimates.

(5) Loudoun County Public Schools, for the end of September of the given fiscal year.

(6) Prior year numbers are adjusted as more current data becomes available

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Principal Employers in the County of Loudoun, Virginia**

**Table J**

**Current Year and Nine Years Ago**

Employer	June 30, 2017			June 30, 2008		
	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	10,640	6.58%	1	9,309	7.11%
County of Loudoun	2	3,754	2.32%	3	3,375	2.58%
United Air Lines, Inc.	3	1,000-3,500	1.39%	5	1,000-5,000	2.29%
Raytheon Company	4	1,000-3,500	1.39%			
Orbital ATK, Inc. (formerly Orbital Sciences Corp)	5	1,000-3,500	1.39%	10	1,000-5,000	2.29%
Loudoun Hospital Center	6	1,000-3,500	1.39%	9	1,000-5,000	2.29%
U.S. Department of Homeland Security	7	1,000-3,500	1.39%	6	1,000-5,000	2.29%
Swissport USA, Inc.	8	1,000-3,500	1.39%			
M.C. Dean, Inc.	9	1,000-3,500	1.39%	7	1,000-5,000	2.29%
Walmart	10	1,000-3,500	1.39%			
Verizon Business (formerly MCI Worldcom)			-	4	1,000-5,000	2.29%
U.S. Postal Service			-	8	1,000-5,000	2.29%
America Online			-	2	1,000-5,000	2.29%
Totals			20.02%			28.01%

(1) Source: Virginia Employment Commission, 4th Quarter 2016 and 2007, Loudoun County Public Schools, and Loudoun County Department of Management and Financial Services

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

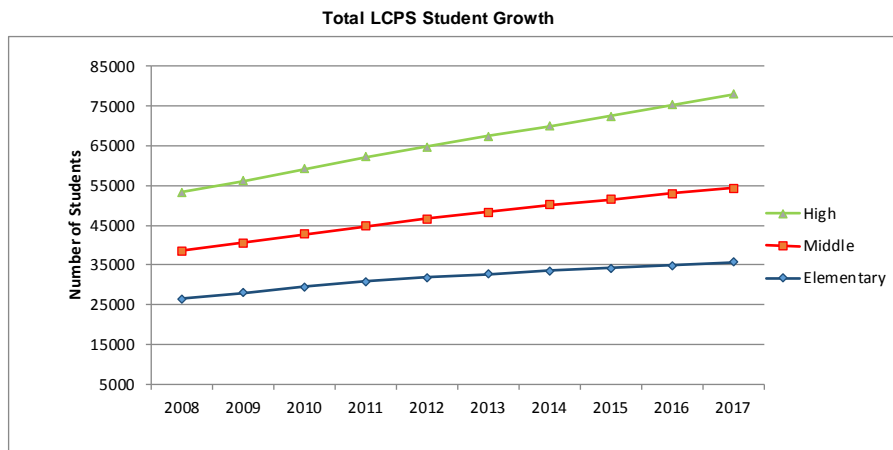
# LOUDOUN COUNTY PUBLIC SCHOOLS

## Enrollment Trend

Table K

Last Ten Fiscal Years

Fiscal Year	Grades K-5	Grades 6-8	Grades 9-12	Total
2017	35,736	18,570	23,592	77,898
2016	34,928	18,021	22,263	75,212
2015	34,274	17,121	21,038	72,433
2014	33,574	16,512	19,782	69,868
2013	32,750	15,623	18,980	67,353
2012	31,785	14,824	18,106	64,715
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



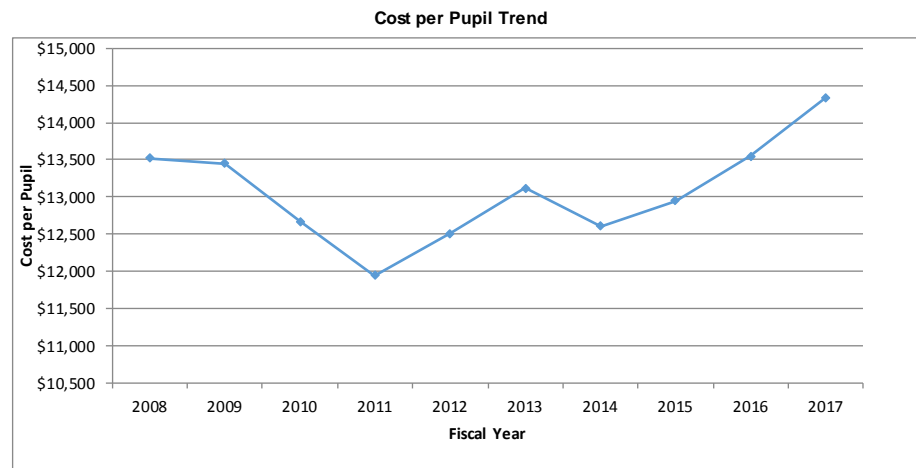
Source: LCPS Department of Planning & Legislative Services

# **LOUDOUN COUNTY PUBLIC SCHOOLS** **Cost per Pupil**

Table L

Last Ten Fiscal Years

Fiscal Year	Cost per Pupil
2017	\$ 14,332
2016	13,549
2015	12,951
2014	12,611
2013	13,121
2012	12,514
2011	11,946
2010	12,669
2009	13,449
2008	13,520



Source: LCPS Budget Office as reported to Commonwealth of Virginia

# 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

Fiscal Year	Combined SAT Scores		
	Evidence-based Reading and Writing and Math (1)		
	County of Loudoun	Commonwealth of Virginia	National
2017	1155	1095	1044

Fiscal Year	Combined SAT Scores		
	Critical Reading, Math and Writing		
	County of Loudoun	Commonwealth of Virginia	National
2016	1617	1535	1484
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

Source: LCPS Research Office

(1) The SAT exam was redesigned in March 2016 to include two sections with a maximum total score of 1600.

The maximum score for the old SAT exam was 2400; the 2017 scores are not comparable to previous SAT scores.

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Average Class Size - Students per Classroom Teacher**

**Table N**

**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Elementary</u>	<u>Middle/ Intermediate</u>	<u>High</u>
2017	23.0	23.8	24.8
2016	23.0	22.3	24.8
2015	23.0	23.6	26.9
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

Source: LCPS Budget Office

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

**Last Ten Fiscal Years**

Function	Fiscal Year				
	2017	2016	2015	2014	2013
School based:					
Instruction	6,210.1	5,927.4	5,632.7	5,382.4	5,188.6
Bus drivers & attendants	852.0	853.5	888.5	888.5	876.5
Teacher assistants	1,287.3	1,189.5	1,148.2	1,285.7	1,255.6
Custodians	546.7	536.8	519.7	493.0	510.5
Other school support	434.8	429.4	418.4	402.4	394.9
Administration	324.0	299.0	283.5	291.0	283.0
Instructional support	183.1	176.0	171.1	199.1	191.1
Nurses & health clinic specialists	100.4	97.9	94.9	92.4	90.4
Total school based FTE's	<u>9,938.4</u>	<u>9,509.5</u>	<u>9,157.0</u>	<u>9,034.5</u>	<u>8,790.6</u>
Non-school based:					
Secretarial/clerical	146.0	158.0	157.5	141.5	140.0
Other support staff	385.3	382.3	372.5	334.2	338.2
Administration	170.5	152.5	134.5	128.0	128.0
Total non-school based FTE's	<u>701.8</u>	<u>692.8</u>	<u>664.5</u>	<u>603.7</u>	<u>606.2</u>
Total FTE's	<u>10,640.2</u>	<u>10,202.3</u>	<u>9,821.5</u>	<u>9,638.2</u>	<u>9,396.8</u>

**Source:** LCPS Budget Office



Table O

Fiscal Year					Function
2012	2011	2010	2009	2008	
5,041.3	4,829.5	4,766.6	4,707.6	4,540.9	School based:
899.5	904.5	876.5	862.5	823.0	Instruction
1,213.3	1,142.7	1,102.8	1,093.7	995.7	Bus drivers & attendants
494.5	485.0	486.0	482.0	468.0	Teacher assistants
382.4	357.8	343.5	339.5	332.5	Custodians
277.0	266.0	257.0	249.0	246.0	Other school support
187.7	154.0	171.5	174.8	170.3	Administration
87.8	86.8	77.8	76.8	73.8	Instructional support
					Nurses & health clinic specialists
<u>8,583.5</u>	<u>8,226.3</u>	<u>8,081.7</u>	<u>7,985.9</u>	<u>7,650.2</u>	Total school based FTE's
144.5	150.2	148.5	148.5	148.5	Non-school based:
324.7	314.3	319.8	319.8	298.8	Secretarial/clerical
124.7	142.7	99.8	99.8	87.3	Other support staff
					Administration
<u>593.9</u>	<u>607.2</u>	<u>568.1</u>	<u>568.1</u>	<u>534.6</u>	Total non-school based FTE's
<u><u>9,177.4</u></u>	<u><u>8,833.5</u></u>	<u><u>8,649.8</u></u>	<u><u>8,554.0</u></u>	<u><u>8,184.8</u></u>	Total FTE's

# LOUDOUN COUNTY PUBLIC SCHOOLS

## Miscellaneous Statistics

### Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Attendance percentage	96.0%	95.9%	96.4%	96.3%	96.2%
Drop-out rate	0.53%	0.82%	0.66%	0.66%	0.67%
English as a Second Language students served	8,530	7,173	6,768	5,824	4,563
Financial aid received by graduates	\$54,768,301	\$59,476,537	\$38,792,416	\$43,416,413	\$34,931,604
Graduates pursuing further education:					
Number of students	4,794	4,628	4,665	4,222	4,351
Percent of students	91.2%	92.8%	91.2%	90.1%	91.3%
Percent of staff that is school-based	93.7%	92.6%	92.6%	93.7%	92.9%
National Merit Scholarship Committee Semifinalists	32	40	36	40	14
Gifted & Talented students served	6,950	7,108	6,099	6,557	6,554

**Source:** LCPS Public Information Office

**Table P**

Fiscal Year					Function
2012	2011	2010	2009	2008	
96.4%	96.2%	96.0%	96.2%	96.0%	Attendance percentage
0.30%	0.60%	0.85%	0.62%	0.72%	Drop-out rate
4,920	4,922	4,880	4,416	4,250	English as a Second Language students served
\$28,800,000	\$23,490,561	\$27,706,456	\$20,635,763	\$16,593,721	Financial aid received by graduates
					Graduates pursuing further education:
4,222	3,649	3,251	3,434	3,258	Number of students
90.2%	92.9%	89.5%	89.8%	89.1%	Percent of students
92.9%	93.1%	92.1%	93.5%	93.0%	Percent of staff that is school-based
28	25	20	18	17	National Merit Scholarship Committee Semifinalists
6,554	6,359	5,959	5,647	5,097	Gifted & Talented students served

**LOUDOUN COUNTY PUBLIC SCHOOLS**  
**Capital Assets Statistics**  
**by Function**

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Elementary Schools:					
Buildings	57	56	56	55	53
Square footage	4,199,245	4,093,488	4,093,488	3,991,121	3,790,826
Capacity	40,655	38,807	38,163	35,739	33,945
Middle Schools:					
Buildings	15	15	15	14	14
Square footage	2,418,083	2,418,083	2,418,083	2,234,279	2,234,279
Capacity	18,918	18,818	16,956	16,696	16,696
High Schools:					
Buildings	15	15	14	13	13
Square footage	3,766,798	3,766,798	3,463,864	3,463,864	3,149,764
Capacity	25,068	25,370	22,212	22,570	20,523
Alternative Schools:					
Buildings	2	2	2	2	2
Square footage	127,071	127,071	123,771	127,074	124,862
School Buses	800	821	859	880	854

**Source:** LCPS Construction Division

Table Q

Fiscal Year					Function
2012	2011	2010	2009	2008	
					Elementary Schools:
52	52	51	50	47	Buildings
3,690,349	3,690,349	3,588,208	3,497,213	3,227,060	Square footage
33,070	33,070	32,318	31,731	29,299	Capacity
					Middle Schools:
14	13	13	13	13	Buildings
2,234,279	2,056,399	2,056,399	2,029,747	2,029,747	Square footage
16,696	15,346	15,476	15,403	15,300	Capacity
					High Schools:
12	12	10	10	10	Buildings
2,874,190	2,874,190	2,342,849	2,342,849	2,342,849	Square footage
18,723	18,723	15,118	15,206	15,257	Capacity
					Alternative Schools:
2	2	2	2	2	Buildings
124,862	124,862	124,862	124,862	124,862	Square footage
854	840	780	731	742	School Buses



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**LOUDOUN COUNTY PUBLIC SCHOOLS – 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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