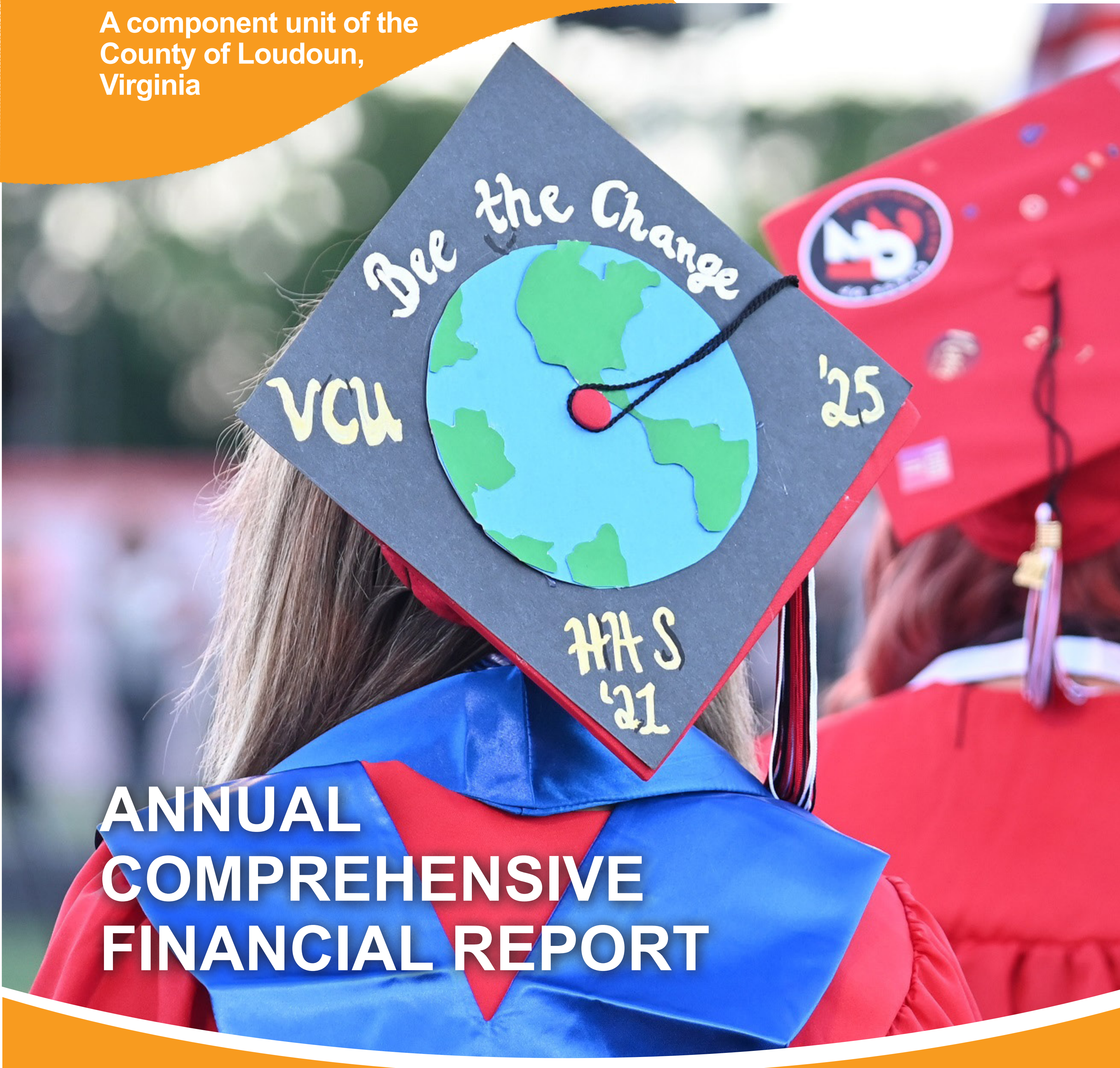
# LOUDOUN COUNTY PUBLIC SCHOOLS

A component unit of the County of Loudoun, Virginia

For the fiscal year ended,
**June 30, 2021**




# ANNUAL COMPREHENSIVE FINANCIAL REPORT

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# Annual Comprehensive Financial Report

## For the fiscal year ended, June 30, 2021

## Loudoun County Public Schools

A component unit of the County of Loudoun, Virginia

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

Dr. Scott A. Ziegler, Interim Superintendent
Sharon Willoughby, Assistant Superintendent for Business & Financial Services

Loudoun County Public Schools
A Climate for Success

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## FINANCIAL SECTION

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## STATISTICAL SECTION

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# Introductory Section

## LCPS Annual Comprehensive Financial Report 2021

**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 19, 2021

Loudoun County School Board
21000 Education Court
Ashburn, Virginia 20148

Dear Chair Sheridan, Members of the Board and Citizens of Loudoun County:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Loudoun County Public Schools (LCPS) for the fiscal year ended June 30, 2021. Responsibility for the presented data's accuracy and the presentation's completeness and fairness, 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). Accordingly, LCPS' financial position and operations results are included in the County's ACFR for the fiscal year ended June 30, 2021. 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 the 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 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

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 how funds are to be provided for 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 government comprising such school divisions. Each local government unit shall provide its portion of such cost by local taxes or other available funds. The supervision of schools in each school division shall be vested in a school board. The LCPS School Board's 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 comprehensive high school and the Academies of Loudoun, The North Star School, and an LCPS student who attends the Thomas Jefferson School for Science and Technology to serve a one-month term to provide the board 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, manages the day-to-day operations of the school system.

## Economic Condition and Outlook

Loudoun County Public Schools is the third largest of 132 school divisions in Virginia. We have been one of the fastest-growing counties before the COVID-19 pandemic, and we expect growth in the future years. The information contained in the economic condition and outlook is based on our FY22 Budget data. From the FY21 Adopted to the FY22 Adopted, student membership is expected to increase by 112 students or 0.1%. However, compared to FY21 actual, the increase is 4,363 students or 5.4% growth. FY22 will cost an average of $17,120 for personnel, employee benefits, and materials to provide school-level instructional and support services for each student.

Student enrollment increased from 28,787 students in 1999 to 82,485 students in 2018. In September of 2021, LCPS enrollment totals 81,318 students, a decrease due to the pandemic. Over the next four years, enrollment is projected to grow an average of 1.4%, resulting in over 4,800 additional students by the 2024-2025 school year.

Loudoun's wages continue to exceed state and national averages. Loudoun County has consistently been ranked the top county in the United States for median household income, coming in at $142,299 based on the 2019 Census Bureau report. Comparatively, the median household income for Virginia is $74,222 and only $67,521 for the United States. Loudoun's highly-educated workforce (almost 61% have at least a bachelor's degree), the availability of high-wage jobs in the region, the high percentage of working-age persons, and a low unemployment rate (3%) all contribute to the high median income.

Loudoun's average cost per pupil for the 2020-2021 school year was $15,214, putting it fourth out of five school divisions in average cost per pupil in the Northern Virginia area. In FY21, staffing decreased to 12,381.6 FTE to accommodate a decline in enrollment due to the pandemic, even with two new schools opening.

On April 6, 2021, the Loudoun County Board of Supervisors approved an appropriation for LCPS of $1,478,555,712 for FY22, representing an increase of $168,766,106 or 12.9% from the 2020-2021 Adopted Budget. For 2020-2021, the Board of Supervisors withheld $60,000,000 in funding and placed those funds in reserve for a potential release later in the fiscal year. While $30,000,000 of that reserve was received in FY21, developing the FY22 budget, Loudoun County included the full $60,000,000 as part of the FY22 base budget. When comparing the adopted operating budget of $1,478,555,712 to the revised base budget, the increase is $108,766,106 or 7.9%.

LCPS has two charter schools as component units. Hillsboro Charter Academy (HCA) opened in FY17, and Middleburg Community Charter School (MCCS) 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.

## Major Initiatives

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 promoting intellectual growth, individual initiative, mutual respect, and personal responsibility for productive citizenship.

LCPS' School Board believes in and supports the importance of strategic planning and recognizes that it is critical to have a shared mission, strong core beliefs, and rigorous goals to have a high-performing, effective and efficient school division.

## OUR MISSION

# Empowering all students to make meaningful contributions to the world

## CORE BELIEFS

1. A culture of continuous improvement drives the fulfillment of our mission
2. Strong partnerships with families and our community enhance our excellence
3. An inclusive, safe, caring, and challenging learning environment serves as the foundation for student growth
4. Transparency and good stewardship of resources strengthen public trust and support

## STRATEGIC GOALS

1. Develop knowledgeable critical thinkers, communicators, collaborators, creators, and contributors
2. Cultivate a high-performing team of professionals focused on our mission and goals
3. Deliver effective and efficient support for student success

## LCPS STRATEGIC FRAMEWORK

This strategic framework is set forth in School Board Policy 1020.

The School Board may revise the Strategic Goals that are currently adopted and outlined in Policy 1020 after a series of School Board meetings and after obtaining community feedback.

**Academic Achievement**

LCPS had a 97.6% on-time graduation rate in 2021.

2021 SAT scores for LCPS stayed well above state and national averages. The average overall score for LCPS students was 1,182. The LCPS total average exceeded the state average by 31 points and the national average by 122 points. A total of 55 students were named National Merit Scholarship Semifinalists.

Three LCPS middle schools – Blue Ridge, Harmony, and Stone Hill – were redesignated as National Schools to Watch by the National Forum to Accelerate Middle-Grades Reform. LCPS has been named a National Schools to Watch District since all eligible middle schools have received this designation.

LCPS received its 10th ENERGY STAR Partner of the Year Sustained Excellence Award from the federal Environmental Protection Agency (EPA). ENERGY STAR is the national, official symbol of energy efficiency in America. The attainment of the ENERGY STAR awards results from work by the LCPS Department of Support Services and its Energy Education Program. LCPS has achieved $90 million in energy savings since 1993.

Six LCPS schools earned the Board of Education Excellence Award, a second-tier honor in the Virginia Index of Performance (VIP) program. These schools met all state and federal accountability benchmarks and made significant progress toward increased student achievement and expanded educational opportunities set by the board.

Thirty-one LCPS schools earned the Board of Education Distinguished Achievement Award. These schools met all state and federal benchmarks and progressed toward the Governor and the Board of Education goals.

Seventeen teams from Loudoun County Public Schools competed in the first virtual Odyssey of the Mind World Finals during the last week of May. A team from Steuart Weller Elementary School placed first overall out of 67 teams in their division.

Growth and Opportunity in Virginia (GO Virginia) awarded a $2.4 million grant to the Loudoun Education Foundation (LEF) for the creation of the Virginia K-12 Computer Science Pipeline program in LCPS and Chesapeake Public Schools (CPS).

**Community Involvement**

LCPS continues to be an integral part of the Loudoun Community. Parents and other volunteers support schools by mentoring, tutoring, helping with special projects, fundraising, and reading.

In addition to LCPS students, Loudoun County's Department of Parks, Recreation and Community Services, churches, homeowners' associations, School Support Organizations, youth and adult sports leagues, the YMCA, 4-H, adult education classes, civic organizations, and the Boy and Girl Scouts use public schools' interior facilities and athletic fields of the public schools.

**Future Challenges**

LCPS faces multiple long-term budgetary challenges in fulfilling our mission of empowering all students to make meaningful contributions to the world. Multiple examples illustrate these challenges.

- LCPS projects the continued growth of student enrollment for the foreseeable future. Additional funds are required each year merely to maintain current class sizes and service levels. Significant additional funds are also needed to construct new schools and fund new positions that would not otherwise be required, e.g., additional principals, custodians.
- Providing competitive employee compensation is vital for attracting and retaining a high-performing team of professionals focused on our mission and goals. Although LCPS has made significant investments in improved employee compensation in recent years, additional increases will be needed for years to come to sustain and build on our excellence. To maintain and enhance competitiveness, LCPS needs to continue revising our teacher salary structure while engaging in multi-year review cycles relating to employees' classification and compensation levels, not on the teacher salary schedule. The state and national teacher shortage reinforces the need for teacher compensation to remain a priority.

- Making continuous improvements requires changing practices and may involve additional resources. Areas of focus identified by the School Board include equity, students with special needs, communication, gifted education, performance assessments, personalized learning, professional learning, project-based learning, social-emotional learning, and mental wellness, and safety and security.

## Management Controls

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

**Internal Controls**

The Division of Financial Services is responsible for accounting for all financial transactions, payroll services, internal audit, financial reporting, school activity fund accounting, procurement and risk management services, financial applications systems training and support and employee health and wellness. The Division develops and implements a system of internal controls to protect and safeguard Loudoun County Public Schools' financial assets through the Internal Audit program. Additionally, the office provides guidance and support to all departments, divisions, and schools throughout Loudoun County Public Schools to serve students and staff in their financial and business efforts.

The scope of this office encompasses the accurate and timely recording of transactions, compliance with regulatory parameters, adherence to appropriate professional guidelines, implementation and oversight of local policies, and incorporation of a high level of personal and professional ethics in those responsible for handling the school division's finances. Examples of benchmark standards and ruling agencies include the Internal Revenue Service, the Social Security Administration, state and federal laws, Generally Accepted Accounting Principles (GAAP), governmental accounting standards established by Governmental Accounting Standards Board (GASB), guidelines provided through the Commonwealth of Virginia's Auditor of Public Accounts, and the United States Office of Management and Budget. Financial Services oversees the receipt of revenues and the disbursement of expenditures over $1 billion through an elaborate accounting structure. The office provides accurate and timely payments to vendors and all LCPS staff.

**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 (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. The division maintains an encumbrance accounting system as one element of accomplishing budgetary control. Encumbered amounts at year-end lapse and are re-appropriated in the subsequent year.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to LCPS for its ACFR beginning in the fiscal year ended June 30, 2009, and each ACFR through 2020. To be awarded a GFOA Certificate of Achievement, specific requirements must be met, including issuing an easily readable and efficiently organized ACFR. The report must also satisfy both GAAP and applicable legal requirements.

LCPS was also awarded the Association of School Business Officials International (ASBO) *Certificate of Excellence* beginning in the fiscal year 2009 and each ACFR through 2020. ASBO's Certificate program fosters excellence in preparing and issuing the school system's annual financial reports.

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

## Acknowledgments

LCPS maintains a strong financial position through responsible and progressive management of financial operations and sound accounting and financial reporting practices. The current accounting and financial reporting standards represent significant enhancements and enable increased governmental accounting and financial reporting efficiency. LCPS continues to support the achievements in these areas by GASB, GFOA, and the ASBO. In the staff's opinion, these practices provide a sound framework for a truly "comprehensive" annual financial report.

The timely preparation of the ACFR could not have been accomplished without the effort of the entire staff of this Department's Accounting Division.

Special recognition goes to Ms. Caryn White and the entire Accounting Division for their technical expertise, review, and dedicated service in preparing this ACFR. 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 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, LCPS' independent auditors, and 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 represent responsible and progressive financial management for LCPS. All LCPS staff continue to strive to maintain the direction the School Board requires to ensure an equitable balance between available resources and the demand for high-quality education.

LCPS' financial health is reflected in its current financial condition's soundness, 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 transparent financial management contributes to the present financial condition of LCPS. It sets the parameters and tasks for next year.

Respectfully submitted,

Scott A. Ziegler

Dr. Scott A. Ziegler
Superintendent

Sharon Willoughby

Sharon Willoughby
Chief Financial Officer

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# School Board Members and Administration

## Loudoun County Public Schools - as of June 30, 2021

### SCHOOL BOARD

**Brenda L. Sheridan**
Chair
*Sterling District*

**Atoosa Reaser**
Vice Chair
*Algonkian District*

**Harris Mahedavi**
*Ashburn District*

**Ian Serotkin**
*Blue Ridge District*

**Leslee King**
*Broad Run District*

**John Beatty**
*Catoctin District*

**Jeff Morse**
*Dulles District*

**Beth Barts**
*Leesburg District*

**Denise Corbo**
*At Large*

### ADMINISTRATION

**Dr. Scott A. Ziegler**
Interim Superintendent

**Dr. Mark J. Smith**
Interim Chief of Staff

**Dr. Ashley F. Ellis**
Assistant Superintendent for Instruction

**Lucia Sebastian**
Interim Assistant Superintendent for Human Resources and Talent Development

**Sharon V. Willoughby**
Assistant Superintendent for Business and Financial Services

**Dr. Asia R. Jones**
Assistant Superintendent for Pupil Services

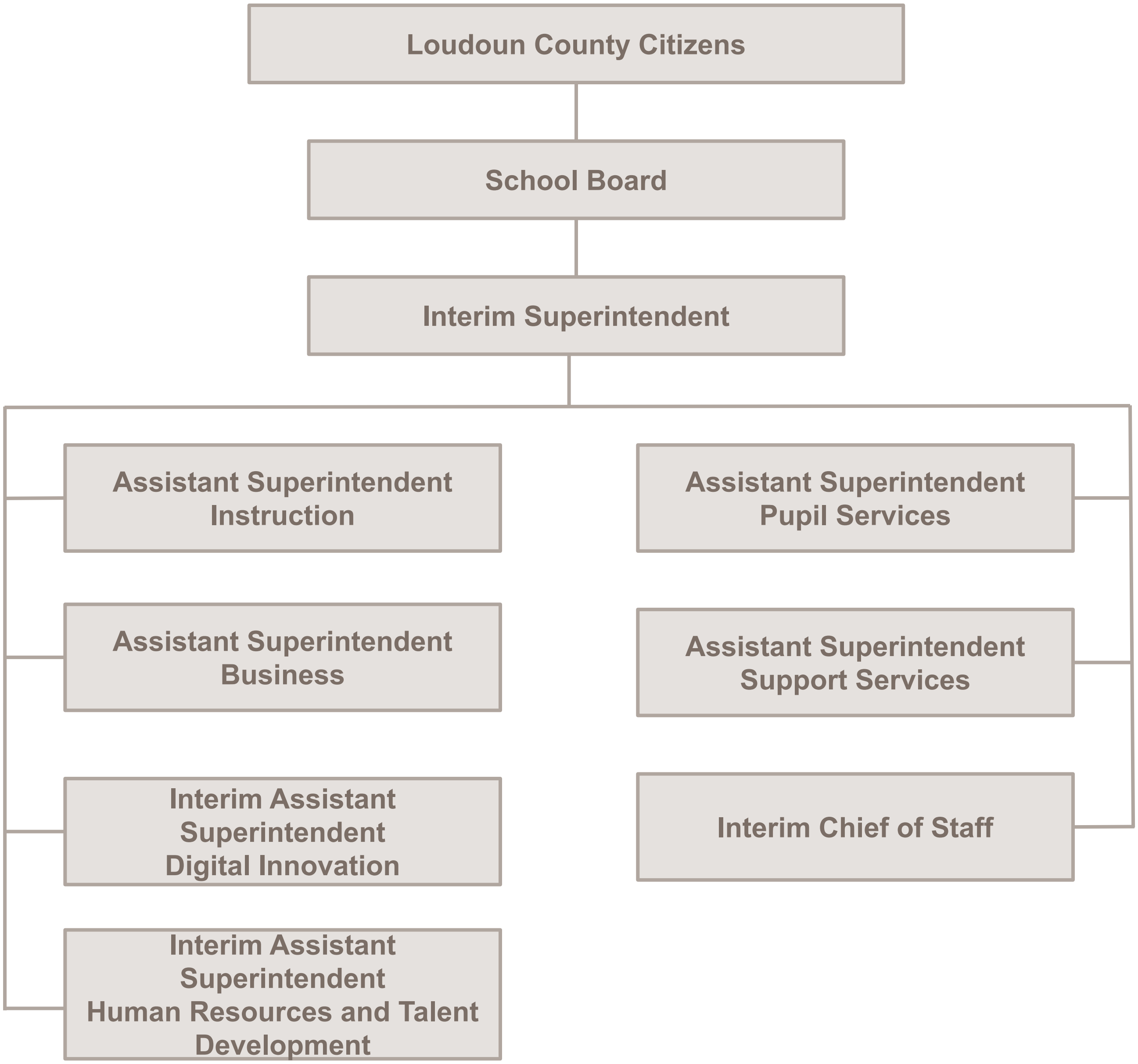
**Kevin L. Lewis**
Assistant Superintendent for Support Services

**Aaron M. Smith**
Interim Assistant Superintendent for Digital Innovation

**Stephen L. DeVita**
Division Counsel

**Shari Byrne**
Clerk of the School Board

# Organizational Chart



# Awards for Excellence in Financial Reporting

## 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 Annual Comprehensive Financial Report (ACFR), for the twelfth year ended June 30, 2020. 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 ACFR based upon specific standards established by the Governmental Accounting Standard Board.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

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

## Loudoun County Public Schools

**for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.**

The report meets the criteria established for ASBO International's Certificate of Excellence.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

W. Edward Chabal
President

David J. Lewis
Executive Director

## 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 Annual ComprehensiveFinancial Report (ACFR) for the twelfth year ended June 30, 2020. 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 ACFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an ACFR 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.

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Loudoun County Public Schools**
**Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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# Financial Section

## LCPS Annual Comprehensive Financial Report 2021

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

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# Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

**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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Loudoun County Public Schools (the "LCPS"), a component unit of Loudoun County Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the LCPS's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *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 School Activity Special Revenue Fund, which represents 2.4%, 2.3% and 2.5% of the total assets, revenues and fund balance, respectively, 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's discretely presented component units. The financial statements of the School Activity Special Revenue Fund, 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 School Activity Special Revenue Fund, 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 "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. The financial statements of the School Activity Special Revenue Fund, MCCS, and HCA were not audited in accordance with the Specifications.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note IV-L to the basic financial statements, the LCPS adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. As a result, related net position and fund balance have been restated. Our opinions are not modified with respect to this matter.

As discussed in Note M to the basic financial statements, the Central Service Fund was closed effective December 31, 2020. Our opinions are not modified with respect to this matter.

### *Other Matters*

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, 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 report 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 Accounting Standards*, we have also issued our report dated November 19, 2021, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the LCPS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance *with Government Auditing Standards* in considering the LCPS' internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 19, 2021

# Management's Discussion and Analysis

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

# Management's Discussion and Analysis

It is a pleasure to present the financial performance of Loudoun County Public Schools (LCPS). This subsection of the Annual Comprehensive Financial Report (ACFR) presents management's narrative overview and analysis of the financial activities of LCPS for the fiscal year ended June 30, 2021. 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 ACFR.

## FINANCIAL HIGHLIGHTS

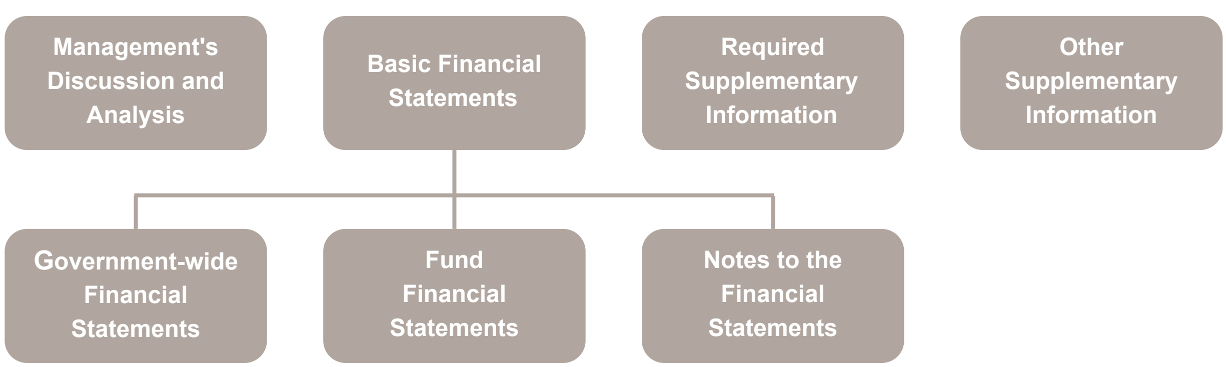
### GOVERNMENT-WIDE FINANCIAL STATEMENTS

- 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 $1,237.4 million at June 30, 2021. Of this amount, $2,061.8 million is net investment in capital assets.
- At the close of the fiscal year, total revenues of the Reporting Entity amounted to $1,617.1 million, while total expenses incurred were $1,546.0 million, which resulted in an increase in net position of $71.1 million, as compared to the net increase of $70.0 million (which includes an $8.6 million restatement- see Note IV, L) for fiscal year 2020 or 4.03% increase. The increase in Net Position is due to an increase of $80.0 million in expenses, and an increase of $114.4 million in revenue.
- Fiscal year ended June 30, 2021 reported Primary Government's costs of governmental activities of $1,541.3 million, which exceeded program revenues (charges for services, $2.4 million; operating grants and contributions, $109.2 million; and capital grants and contributions, $183.2 million by $1,246.5 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 $1,316.5 million, were sufficient to cover the excess of programs' costs over revenues.
- The Charter Schools ended the fiscal year by reporting $5.6 million in operating grants and contributions. Total expenses incurred were $4.7 million. General revenues of $0.2 million, in addition to the excess of program revenue over program costs, resulted in an increase in net position of $0.8 for 2021.

### FUND FINANCIAL STATEMENTS

- LCPS' governmental funds reported a combined fund balance of $227.0 million at June 30, 2021 (which includes an $8.6 million restatement- see Note IV, L) , an increase of  $60.5 million over the prior year.
- At June 30, 2021, the General Fund reported an ending fund balance of $76.0 million, an increase of $27.8 million from June 30, 2020.

Components of the Financial Section



## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this ACFR 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, 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 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 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, School Activity 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 ACFR.

**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 ACFR.

**Fiduciary Fund** – 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 fund has an OPEB Trust Fund. The OPEB Trust Fund is used to account for assets held in trust by LCPS for postemployment health benefits.

## 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 units 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 $1,235.7 million at the close of fiscal year 2021, representing an increase of $70.0 million from the net position at June 30, 2020.

By far, the largest portion of LCPS' net position (166.9 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 are 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 $25.3 million at June 30, 2021.

*The following table provides a summary of net position as of June 30, 2021 and 2020:*

**SUMMARY OF NET POSITION**
**As of June 30**
**(Dollars in Millions-may not foot due to rounding)**

| | Primary Government | | | Component Units | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Variance | 2021 | 2020 | Variance |
| **ASSETS** | | | | | | |
| Current and other assets | $ 491.8 | $ 435.3 | $ 56.5 | $ 1.7 | $ 0.9 | $ 0.8 |
| Capital assets, net | 2,116.4 | 2,019.5 | 96.9 | - | - | - |
| Total assets | 2,608.2 | 2,454.8 | 153.4 | 1.7 | 0.9 | 0.8 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 578.8 | 480.3 | 98.5 | - | - | - |
| **LIABILITIES** | | | | | | - |
| Current liabilities | 194.8 | 190.2 | 4.6 | - | - | - |
| Long-term liabilities | 1,615.8 | 1,484.1 | 131.7 | - | 0.1 | (0.1) |
| Total liabilities | 1,810.6 | 1,674.3 | 136.3 | - | 0.1 | (0.1) |
| **DEFERRED INFLOWS OF RESOURCES** | 140.6 | 95.1 | 45.5 | - | - | - |
| **NET POSITION** | | | | | | - |
| Net Investment in capital assets | 2,061.8 | 1,972.9 | 88.9 | - | - | - |
| Restricted | 3.4 | 3.9 | (0.5) | - | - | - |
| Unrestricted | (829.4) | (811.1) | (18.3) | 1.7 | 0.7 | 1.0 |
| Total net position, restated *2020 Restated for SAF-GASB 84 | $ 1,235.7 | $ 1,165.7 | $ 70.0 | $ 1.7 | $ 0.7 | $ 1.0 |

## STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in LCPS' net position for the fiscal years ended June 30, 2021 and 2020:

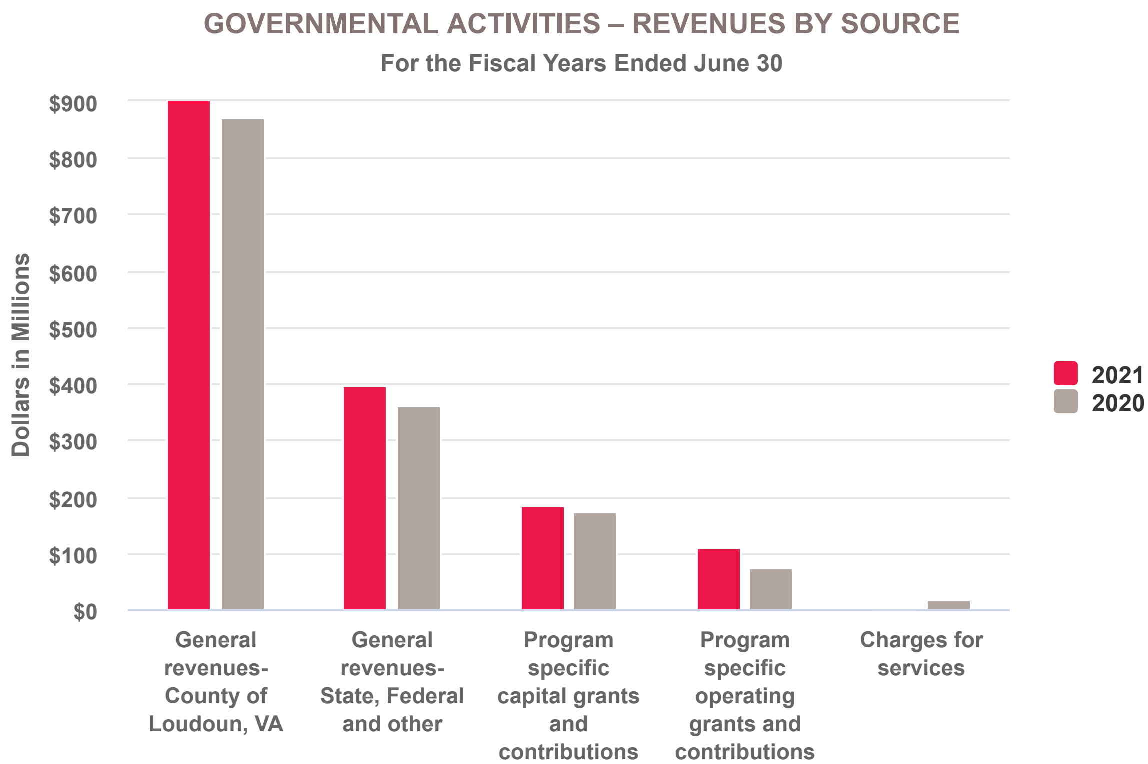
**SUMMARY OF CHANGES IN NET POSITION**
**For the Fiscal Years Ended June 30**
**(Dollars in Millions-may not foot due to rounding)**

| | Primary Government | | | Component Units | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Variance | 2021 | 2020 | Variance |
| **REVENUES** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 2.4 | $ 16.8 | $ (14.4) | $ - | $ - | $ - |
| Operating grants and contributions | 109.2 | 75.9 | 33.3 | 5.6 | 4.9 | 0.7 |
| Capital grants and contributions | 183.2 | 172.8 | 10.4 | - | - | - |
| General revenues: | | | | | | |
| Grants and contributions | 1,306.5 | 1,227.6 | 78.9 | - | - | - |
| Revenue from the use of money | 0.3 | 1.2 | (0.9) | - | - | - |
| Other | 9.7 | 3.5 | 6.2 | 0.2 | - | 0.2 |
| Total revenues | 1,611.3 | 1,497.8 | 113.5 | 5.8 | 4.9 | 0.9 |
| **EXPENSES** | | | | | | |
| Instruction: | | | | | | |
| Regular | 919.1 | 877.7 | 41.4 | - | - | - |
| Special | 258.2 | 242.0 | 16.2 | - | - | - |
| Adult education | 0.8 | 0.8 | - | - | - | - |
| Other | 4.4 | 3.3 | 1.1 | - | - | - |
| Charter Schools | 4.7 | 4.1 | 0.6 | - | - | - |
| Support Services: | | | | | | |
| Administration | 33.6 | 33.3 | 0.3 | - | - | - |
| Attendance and health | 30.1 | 11.7 | 18.4 | - | - | - |
| Pupil transportation | 64.8 | 65.3 | (0.5) | - | - | - |
| Facilities services | 10.1 | 11.9 | (1.8) | - | - | - |
| Operation and maintenance | 116.9 | 116.6 | 0.3 | - | - | - |
| School nutrition services | 29.1 | 30.7 | (1.6) | - | - | - |
| Technology | 69.1 | 63.4 | 5.7 | - | - | - |
| Charter Schools | - | - | - | 4.7 | 4.6 | 0.1 |
| Interest on long-term debt | 0.4 | 0.5 | (0.1) | - | - | - |
| Total expenses | 1,541.3 | 1,461.3 | 80.0 | 4.7 | 4.6 | 0.1 |
| Change in net position | 70.0 | 36.5 | 33.5 | 1.1 | 0.3 | 0.8 |
| Net position, beginning of year, restated | 1,165.7 | 1,120.6 | 45.1 | 0.6 | 0.3 | 0.3 |
| Cumulative effect of change in accounting principles | - | 8.6 | (8.6) | - | - | - |
| **Net position, end of year, restated** | $ 1,235.7 | $ 1,165.7 | $ 70.0 | $ 1.7 | $ 0.6 | $ 1.1 |

**Revenues**

Revenues for LCPS' governmental activities totaled $1,611.3 million during the fiscal year 2021, representing an increase of $113.5 million over fiscal year 2020.

*The following chart represents revenues by source for the fiscal years ended June 30, 2021 and 2020:*




The events contributing to the increase in revenues during the fiscal year 2021 were:

- Operating grants and contributions increased $33.3 million, or 43.9 percent, from fiscal year 2020. The increase was primarily from increased funding for School Nutrition Services of $24.8 million. They had a greater per meal Federal reimbursement rate and a greater number of serving days due to the COVID-19 pandemic. The additional $8.6 million related to Regular instruction.
- Capital grants and contributions increased $10.4 million from fiscal year 2020 due to an increase in revenue from the County mainly for roofing repairs in the capital asset preservation program.
- From the previous fiscal year, LCPS received an increase of $84.2 million in general revenues. The Federal Government awarded CARES CRF K-12 Schools funding of $14.9 million. LCPS also received a 5.5 percent increase, or $47.7 million, in the contribution from the County. This contribution is LCPS' primary revenue source. Additionally, LCPS received an increase in general revenues from the Commonwealth of Virginia of $17.1 million or $4.8 percent from 2020. All other general revenues – grants and contributions increased $6.2 million from 2020.

## 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 2021 and 2020:*

**SUMMARY OF PROGRAM COSTS BY FUNCTION**
**For the Fiscal Years Ended June 30**
**(Dollars in Millions-may not foot due to rounding)**

| | Total Cost of Function | | | Net Cost (Revenue) of Function | | |
|---|---|---|---|---|---|---|
| **Function** | **2021** | **2020** | **Percent Variance** | **2021** | **2020** | **Percent Variance** |
| **Governmental Activities:** | | | | | | |
| Instruction: | | | | | | |
| Regular | $ 919.1 | $ 877.7 | 4.7% | $ 897.0 | $ 885.0 | 1.4% |
| Special | 258.2 | 242.0 | 6.7% | 208.7 | 192.0 | 8.7% |
| Adult education | 0.8 | 0.8 | 0.0% | 0.2 | 0.4 | 0.0% |
| Other | 4.4 | 3.3 | 33.3% | 4.4 | 3.3 | 33.3% |
| Charter schools | 4.7 | 4.1 | 14.6% | 4.7 | 4.1 | 14.6% |
| Support Services: | | | | | | |
| Administration | 33.6 | 33.3 | 0.9% | 33.6 | 19.8 | 69.7% |
| Attendance and health | 30.1 | 11.7 | 157.3% | 30.1 | 7.6 | 296.1% |
| Pupil transportation | 64.8 | 65.3 | (0.8%) | 64.8 | 65.3 | (0.8%) |
| Facilities services | 10.1 | 11.9 | (15.1%) | (173.1) | (160.9) | 7.6% |
| Operation and maintenance | 116.9 | 116.6 | 0.3% | 116.9 | 116.6 | 0.3% |
| School nutrition services | 29.1 | 30.7 | (5.2%) | (8.0) | 4.3 | (286.0%) |
| Technology | 69.1 | 63.4 | 9.0% | 66.6 | 61.0 | 9.2% |
| Interest on long-term debt | 0.4 | 0.5 | (20.0%) | 0.4 | 0.5 | (20.0%) |
| Total expenses | $ 1,541.3 | $ 1,461.3 | 5.5% | $ 1,246.3 | $ 1,199.0 | 3.9% |

The total costs of LCPS' programs for fiscal year 2021 were $1,546.0 million, which represents an increase of $80.0 million from fiscal year 2020. Some of the costs of governmental activities were paid by those who directly benefited from the programs ($2.4 million) and other governments and organizations that subsidized certain programs with grants and contributions ($292.4 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 12th grade, with the exception of programs specifically designed to improve or overcome disabilities and programs intended for gifted and talented students. LCPS' second largest program, special instruction, includes those activities for students with special needs/services or programs for other types of students such as alternative education, Head Start, gifted and talented, and preschool programs.

Regular instruction expenses increased $41.4 million and special instruction expenses increased $16.2 million from the prior fiscal year. There was also an increase in enrollment.

The majority of LCPS' functional areas required general revenues to cover their operational costs. In fiscal year 2021, facilities services was self-supporting with program revenues exceeding program costs by $173.1 million.

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 decreased slightly to $0.4 million for the year.

## 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.

As of June 30, 2021, LCPS' governmental funds reported a combined fund balance of $227.0 million, an increase of $60.5 million, compared to an increase of $42.7 million at June 30, 2020. This increase was due in part to the $8.6 million restatement of Net Position (Note IV. L).

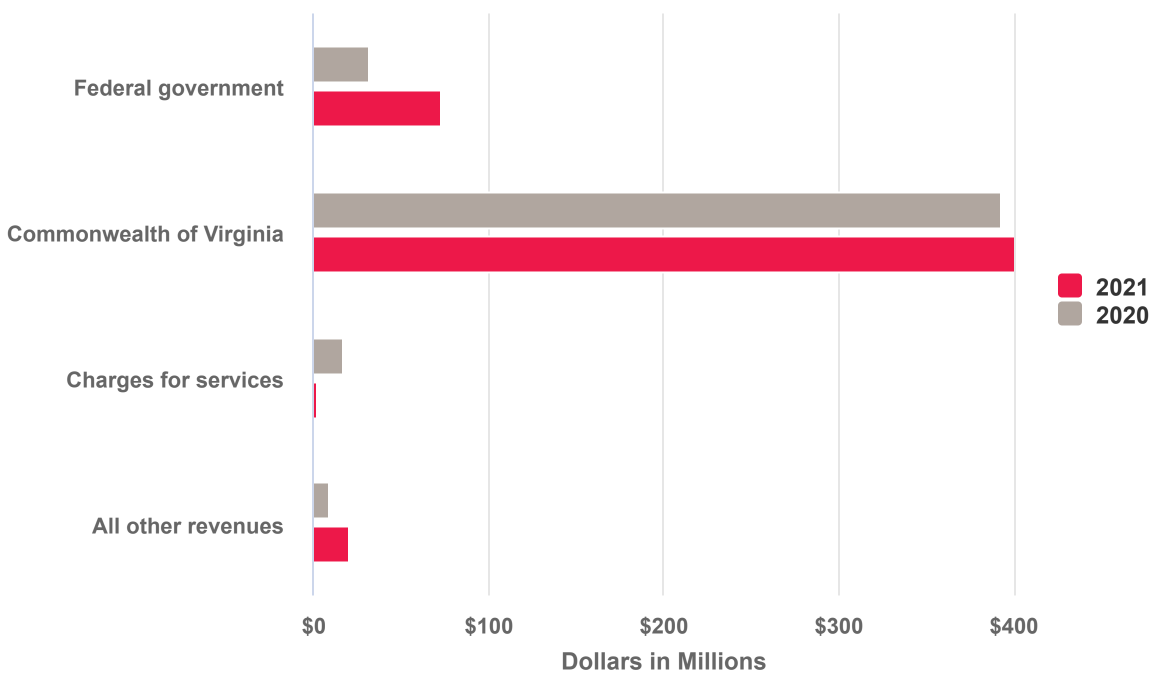
Of the combined fund balance, $1.8 million was nonspendable and not available for future funding, $3.3 million was restricted by fiscal agents, $115.1 million was committed by various board actions, and $97.8 million was assigned to specific contractual and financial planning purposes.

The total revenues for governmental funds in fiscal year 2021 totaled $1,611.4 million, an 7.6 percent increase over fiscal year 2020. LCPS' primary source of revenue was intergovernmental (from the Federal government, State, and the County) and amounted to $1,588.2 million in fiscal year 2021, a 7.9 percent increase over fiscal year 2020. All other revenue sources (e.g., charges for services, and recovered costs) totaled $23.2 million, representing a decrease of 11.9 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, 2021 and 2020:*

**REVENUES BY SOURCE (EXCLUDING COUNTY REVENUE AND TRANSFERS IN)**

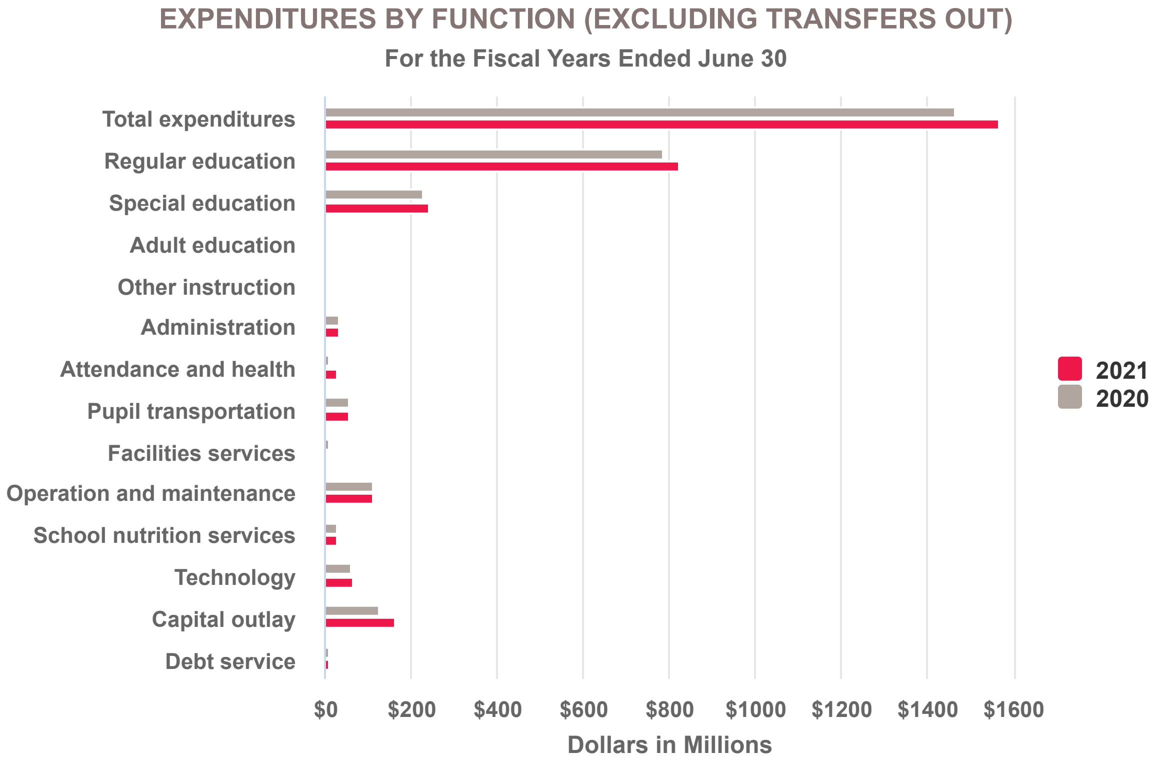
**For the Fiscal Years Ended June 30**




Several factors contributing to the net increase in total revenues during fiscal year 2021 include:

- Funding from the County increased $58.1 million from fiscal year 2020 to support general LCPS operations. This represents a 5.3 percent increase from fiscal year 2020. County funding also included $12.0 million pass through funding for COVID-19 pandemic relief.
- Revenue from the Federal government increased by $40.3 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 revenues increased by $11.5 million, or 12.6 percent. Other State revenues increased by $6.8 million from fiscal year 2020.

*The following chart compares the expenditures (excluding transfers out) for each LCPS' functional area for the fiscal years ended June 30, 2021 and 2020:*




Excluding other financing uses, the total expenditures for governmental funds for the fiscal year ended June 30, 2021 were $1,568.6 million, an increase of 2.7 percent over fiscal year 2020. Regular and special instruction continue to be LCPS' largest programs.

For the fiscal year ended June 30, 2021, regular instruction expenditures were $822.1 million in comparison to $788.0 million in fiscal year 2020. This represents an increase of $47.9 million, or 4.3 percent.

Special instruction expenditures amounted to $243.2 million, representing an increase of $13.8 million, or 6.0 percent. The majority of regular and special instruction expenditures were primarily attributed to salaries and benefits.

Regular and special instruction had a $47.9 million combined increase in expenditures in comparison to fiscal year 2020, due primarily to pandemic costs and learning loss, and opening Lightridge High School. 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 2021, expenditures totaled $111.9 million. Operations and maintenance costs decreased by $0.2 million from the prior year.

Capital outlays for the total governmental funds increased by $38.1 million. Capital outlay expenditures were $161.5 million compared to $123.4.million during fiscal year 2020. The increase of 30.9 percent from the prior year is due mainly to an increase in the number of projects under construction. Outlays included items such as the continuation of several renovation projects from the prior year, the continuation of the school security vestibules, 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 2021 include:

- Expenditures for pupil transportation decreased $2.3 million, or 4.1 percent. This decrease is due to continued virtual learning due to COVID-19. Administration, Attendance and Health, and Facilities services expenditures increased $15.5 million or 30.5 percent from fiscal year 2020.
- There was an increase from fiscal year 2020 of $12.6 million or 25.9 percent for the technology program.

**The General Fund** is the main operating fund of LCPS. At the end of the current fiscal year, the fund balance was $76.0 million. The General Fund's revenues increased $85.0 million, or 6.7 percent, from the previous fiscal year, while expenditures (excluding other financing uses) increased $64.1 million, or 5.1 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 $27.8 million from the prior fiscal year. The total fund balance at June 30, 2021 for the General Fund represents 33.5 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 a $96.5 million fund balance. All of the fund balance is committed to fund next year's operations. The Capital Improvement Fund's revenue of $158.9 million is an increase of $0.1 million, or .3 percent, from the previous year. The expenditures of $153.2 million for fiscal year 2021 is an increase of $33.3 million from fiscal year 2020, or 27.8 percent. The slight increase in revenues and the increase in expenditures resulted in a net increase in fund balance of $5.7 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 2021, the amendment to the General Fund's budget was an increase to expenditures for the carryover of encumbrance obligations from fiscal year 2020. Actual revenues were less than the final amended budget by $25.2 million due to the return of unassigned fund balance to the County of Loudoun and budgeted Federal COVID relief funding not recognized this year. Actual expenditures were $86.6 million less than amended budget, or 6.2 percent. The $86.6 million variance between actual and amended budget for expenditures was a result of savings in: regular education of $36.8 million; operation and maintenance of $16.1 million; special education $13.8 million; all other functions of $19.9 million. These savings were due in part to lower actual expenditures related to the budgeted COVID funding unrecognized this year and a decline in student enrollment due to the pandemic.

*The following table presents a summary comparison of the General Fund's original and final budgets with actual performance, net of other financing sources and uses, for the fiscal year ended June 30, 2021*

**GENERAL FUND BUDGET AND ACTUAL COMPARISON**
**For the Fiscal Year Ended June 30, 2021**
**(Dollars in Billions-may not foot due to rounding)**

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|---|---|---|---|
| Total revenues | $ 1,297.8 | $ 1,371.4 | $ 1,346.2 | $ (25.2) |
| Total expenditures | (1,309.8) | (1,404.0) | (1,317.4) | 86.6 |
| Net change in fund balances | $ (12.0) | $ (32.6) | $ 28.8 | $ 61.4 |

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### CAPITAL ASSETS

At June 30, 2021, LCPS' investment in capital assets for governmental activities totaled $2,873.1 billion. Accumulated depreciation totaled $756.7 million resulting in capital assets, net of accumulated depreciation of $2,116.4 billion. This represents a net increase in capital assets of $96.9 million, or 4.6 percent, over the prior year.

Major capital asset events during fiscal year 2021 included the following:

- LCPS acquired $22.0 million in equipment and machinery.
- Total capital asset disposals amounted to $6.5 million.
- LCPS recorded the completion of Lightridge High School which cost $132 million. Also there were upgrades to the energy performance on J.L. Simpson Middle School for $2 million. Total building costs incurred during fiscal year 2021 amounted to $135.1 million.

- Costs associated with ongoing projects remained in construction in progress at the fiscal year end. These projects include cumulative construction expenditures of $153.3 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, 2021 and 2020:*

**NET CAPITAL ASSETS**
**As of June 30**
**(Dollars in Billions-may not foot due to rounding)**

| | Book Value (net of depreciation)* | |
|---|---|---|
| **Capital Asset Category** | **2021** | **2020** |
| Land | $ 170.1 | $ 160.2 |
| Construction in progress | 130.5 | 136.5 |
| Buildings | 1,760.3 | 1,677.7 |
| Machinery and equipment | 46.8 | 35.7 |
| Improvements other than buildings | 8.8 | 9.3 |
| Total | $ 2,116.5 | $ 2,019.4 |

* Except for land and construction in progress.

## LONG-TERM LIABILITIES

As of June 30, 2021, LCPS reported total outstanding debt of $1,615.8 million, compared to $1,484.1 million at June 30, 2020. Of this amount, $1,185.3 million related to pension liability. OPEB Liabilities total $334.8 million in 2021 as compared to $403.7 million for 2020. $25.3 million is related to capital leases. Compensated absences are $52.4 million in 2021 as compared to $44.2 million in 2020. 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 liabilities for governmental activities.

**OUTSTANDING LONG-TERM LIABILITES**
**As of June 30**
**(Dollars in Millions-may not foot due to rounding)**

| | **2021** | **2020** |
|---|---|---|
| Compensated absences | $ 52.4 | $ 44.2 |
| Claims liabilities | 18.1 | 17.3 |
| Leases payable | 25.3 | 25.2 |
| OPEB liability | 334.8 | 403.7 |
| Net pension liability | 1,185.3 | 993.6 |
| Total | $ 1,615.8 | $ 1,484.1 |

Further detail is provided below for the OPEB Liabilities:

**OUTSTANDING OPEB LIABILITES**
**As of June 30**
**(Dollars in Millions-may not foot due to rounding)**

| | **2021** | **2020** |
|---|---|---|
| Virginia Local Disability Program | $ 0.3 | $ 0.3 |
| Group Life Insurance | 62.4 | 57.3 |
| Health Insurance Credit | 105.1 | 98.4 |
| OPEB liability | 167.0 | 247.7 |
| Total | $ 334.8 | $ 403.7 |

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 uncertain enrollment due to the COVID-19 pandemic. The actual student growth rate for general education increased 5.4% from the Adopted Budget but LCPS continues to face challenges in meeting the educational needs as the full pandemic impact is undetermined.

The primary source of revenue for LCPS comes from the County. The COVID-19 pandemic created economic uncertainty that impacted our final funding from the County. The County froze $60.0 million and placed potential funding in a reserve for LCPS with any supplemental releases to be conditional based on the economy showing improvement throughout the year. While $30 million was received in FY21, in developing the FY22 budget, Loudoun County has included the full $60 million as part of the FY22 base budget.

LCPS opened The North Star School, Hovatter ES, and the William O. Robey HS in the fall of 2021. Cost per pupil increased $1,906 in FY22 due in part to lower student enrollment than projected but costs remained flat. Step and market increases continue for all eligible employees, as well as restoration of positions and compensation increases. Key items under focus are enhanced safety and security measures at all LCPS locations, funding for Virtual Loudoun distance learning and an increase in specialized support positions to help support the mental health of LCPS students. The other major source of LCPS' revenues is driven by student enrollment, particularly in the area of State and Federal aid.

Despite these economic challenges, the fiscal year 2022 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 $168.8 million, or 12.9 percent, increase in expenditures over the fiscal year 2021 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 ACFR can also be found on the LCPS website at www.lcps.org.

# Basic Financial Statements


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

**June 30, 2021**

**Exhibit I**

| | Primary Government | Component Units | | |
|---|---|---|---|---|
| | Governmental Activities | Middleburg Community Charter School | Hillsboro Charter Academy | Total Reporting Entity |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 8,809,863 | $ 617,296 | $ 859,588 | $ 10,286,747 |
| Accounts receivable, net | 8,788,214 | - | - | 8,788,214 |
| Due from County | 455,846,165 | - | - | 455,846,165 |
| Due from Primary Government | - | 66,523 | 138,794 | 205,317 |
| Due from other governmental units | 11,797,929 | - | - | 11,797,929 |
| Inventories | 1,547,463 | - | - | 1,547,463 |
| Prepaid items | 248,350 | - | - | 248,350 |
| Deposits | 4,743,000 | - | - | 4,743,000 |
| Nondepreciable capital assets | 300,526,688 | - | - | 300,526,688 |
| Depreciable capital assets, net of depreciation | 1,815,895,758 | - | - | 1,815,895,758 |
| Total assets | 2,608,203,430 | 683,819 | 998,382 | 2,609,885,631 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows related to other postemployment benefits | 165,074,639 | - | - | 165,074,639 |
| Deferred outflows related to pension | 413,699,015 | - | - | 413,699,015 |
| Total deferred outflows of resources | 578,773,654 | - | - | 578,773,654 |
| **LIABILITIES** | | | | |
| Accounts payable | 39,457,441 | 13,128 | 9,975 | 39,480,544 |
| Accrued interest payable | 386,259 | - | - | 386,259 |
| Accrued liabilities | 134,682,889 | 5,385 | - | 134,688,274 |
| Due to component unit | 205,317 | - | - | 205,317 |
| Contract retainages | 12,900,299 | - | - | 12,900,299 |
| Other liabilities | 3,491,843 | - | - | 3,491,843 |
| Unearned revenues | 3,687,416 | - | - | 3,687,416 |
| Long-term liabilities: | | | | |
| Due within one year | 30,665,967 | - | - | 30,665,967 |
| Due in more than one year | 1,585,179,899 | - | - | 1,585,179,899 |
| Total liabilities | 1,810,657,330 | 18,513 | 9,975 | 1,810,685,818 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows related to other postemployment benefits | 72,612,130 | - | - | 72,612,130 |
| Deferred inflows related to pension | 67,983,509 | - | - | 67,983,509 |
| Total deferred inflows of resources | 140,595,639 | - | - | 140,595,639 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 2,061,751,435 | - | - | 2,061,751,435 |
| Restricted for: | | | | |
| Permanent fund-nonexpendable | 22,370 | - | - | 22,370 |
| Legal agreement | 3,331,155 | - | - | 3,331,155 |
| Unrestricted | (829,380,845) | 665,306 | 988,407 | (827,727,132) |
| Total net position | $ 1,235,724,115 | $ 665,306 | $ 988,407 | $ 1,237,377,828 |

See accompanying notes to the financial statements.

## LOUDOUN COUNTY PUBLIC SCHOOLS
### Statement of Activities
For the Fiscal Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| Instruction: | | | | |
| Regular | $ 919,055,882 | $ 2,246,030 | $ 19,774,147 | $ - |
| Special | 258,238,313 | - | 49,494,555 | - |
| Adult education | 751,560 | 111,843 | 439,166 | - |
| Other | 4,390,758 | 1,924 | - | - |
| Charter Schools | 4,734,432 | - | - | - |
| Total instruction | 1,187,170,945 | 2,359,797 | 69,707,868 | - |
| Support Services: | | | | |
| Administration | 33,627,285 | - | - | - |
| Attendance and health | 30,117,163 | - | - | - |
| Pupil transportation | 64,774,255 | - | - | - |
| Facilities services | 10,075,176 | - | - | 183,170,821 |
| Operation and maintenance | 116,933,355 | - | - | - |
| School nutrition services | 29,053,844 | 9,363 | 37,005,819 | - |
| Total support services | 284,581,078 | 9,363 | 37,005,819 | 183,170,821 |
| Technology | 69,127,748 | - | 2,519,000 | - |
| Interest on long-term debt | 425,803 | - | - | - |
| Total Primary Government | $ 1,541,305,574 | $ 2,369,160 | $ 109,232,687 | $ 183,170,821 |
| **Component Units:** | | | | |
| Middleburg Community Charter School | $ 2,343,812 | $ - | $ 2,720,925 | $ - |
| Hillsboro Charter Academy | $ 2,412,396 | $ 4,127 | $ 2,759,329 | $ - |

**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 at beginning of year, restated (Note IV. L)

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 | | | |
| Governmental Activities | Middleburg Community Charter School | Hillsboro Charter Academy | Total Reporting Entity | Functions/Programs |
| | | | | **Primary Government:** |
| | | | | Instruction: |
| $ (897,035,705) | $ - | $ - | $ (897,035,705) | Regular |
| (208,743,758) | - | - | (208,743,758) | Special |
| (200,551) | - | - | (200,551) | Adult education |
| (4,388,834) | - | - | (4,388,834) | Other |
| (4,734,432) | - | - | (4,734,432) | Charter School |
| | - | - | | |
| (1,115,103,280) | - | - | (1,115,103,280) | Total instruction |
| | | | | Support Services: |
| (33,627,285) | - | - | (33,627,285) | Administration |
| (30,117,163) | - | - | (30,117,163) | Attendance and health |
| (64,774,255) | - | - | (64,774,255) | Pupil transportation |
| 173,095,645 | - | - | 173,095,645 | Facilities services |
| (116,933,355) | - | - | (116,933,355) | Operation and maintenance |
| 7,961,338 | - | - | 7,961,338 | School nutrition services |
| (64,395,075) | - | - | (64,395,075) | Total support services |
| (66,608,748) | - | - | (66,608,748) | Technology |
| (425,803) | - | - | (425,803) | Interest on long-term debt |
| $ (1,246,532,906) | $ - | $ - | $ (1,246,532,906) | Total Primary Government |
| | | | | **Component Units:** |
| | $ 377,113 | $ - | $ 377,113 | Middleburg Community Charter School |
| | $ - | $ 351,060 | $ 351,060 | Hillsboro Charter Academy |
| | | | | **General revenues:** |
| | | | | Grants and contributions not restricted to specific purposes: |
| $ 15,653,053 | $ - | $ - | $ 15,653,053 | Federal government |
| 370,576,010 | - | - | 370,576,010 | Commonwealth of Virginia |
| 920,285,052 | - | - | 920,285,052 | County of Loudoun, Virginia |
| 323,437 | 53 | 3,239 | 326,729 | Revenue from the use of money and property |
| 9,677,921 | 36,035 | 133,534 | 9,847,490 | Other |
| 1,316,515,473 | 36,088 | 136,773 | 1,316,688,334 | Total general revenues |
| 69,982,567 | 413,201 | 487,833 | 70,883,601 | Change in net position |
| 1,165,741,548 | 252,105 | 500,574 | 1,166,494,227 | Net position at beginning of year, restated (Note IV. L) |
| $ 1,235,724,115 | $ 665,306 | $ 988,407 | $ 1,237,377,828 | Net position, end of year |

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit III**

### Balance Sheet
### Governmental Funds
June 30, 2021

| | General Fund | Capital Improvements Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 200 | $ - | $ 8,809,663 | $ 8,809,863 |
| Accounts receivable, net | 1,136,649 | - | 7,285,051 | 8,421,700 |
| Due from County | 455,846,165 | - | - | 455,846,165 |
| Due from other governmental units | 8,537,636 | - | 3,260,293 | 11,797,929 |
| Interfund receivables | - | 125,940,203 | 46,872,428 | 172,812,631 |
| Inventories | 780,471 | - | 766,992 | 1,547,463 |
| Prepaid items | 173,044 | - | 75,306 | 248,350 |
| Total assets | $ 466,474,165 | $ 125,940,203 | $ 67,069,733 | $ 659,484,101 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 22,277,784 | $ 11,507,634 | $ 2,413,028 | $ 36,198,446 |
| Accrued liabilities | 124,599,886 | 4,803,948 | 4,824,007 | 134,227,841 |
| Due to component unit | 205,317 | - | - | 205,317 |
| Interfund payables | 239,875,604 | - | 1,936,494 | 241,812,098 |
| Contract retainages | - | 12,900,299 | - | 12,900,299 |
| Other liabilities | 3,491,843 | - | - | 3,491,843 |
| Unearned revenues | - | 200,000 | 3,487,416 | 3,687,416 |
| Total liabilities | 390,450,434 | 29,411,881 | 12,660,945 | 432,523,260 |
| **FUND BALANCES:** | | | | |
| Nonspendable: | | | | |
| Inventories | 780,471 | - | 766,992 | 1,547,463 |
| Prepaid items and deposits | 173,044 | - | 75,306 | 248,350 |
| Permanent fund-nonexpendable | - | - | 22,370 | 22,370 |
| Restricted for: | | | | |
| Restricted by legal agreement | - | - | 3,331,155 | 3,331,155 |
| Committed to: | | | | |
| Capital improvements | - | 96,528,322 | - | 96,528,322 |
| Capital asset preservation | - | - | 18,549,101 | 18,549,101 |
| Assigned to: | | | | |
| General Fund contractual obligations | 54,116,288 | - | - | 54,116,288 |
| General Fund subsequent year appropriations | 12,000,000 | - | - | 12,000,000 |
| Special revenue fund | - | - | 31,663,864 | 31,663,864 |
| Unassigned | 8,953,928 | - | - | 8,953,928 |
| Total fund balances | 76,023,731 | 96,528,322 | 54,408,788 | 226,960,841 |
| Total liabilities and fund balances | $ 466,474,165 | $ 125,940,203 | $ 67,069,733 | $ 659,484,101 |

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, 2021

| | | |
|---|---|---|
| Fund balances - total governmental funds | | $ 226,960,841 |
| Amounts reported for governmental activities in the Statement of Net Position are different due to: | | |
| Capital assets used in governmental funds' activities are not financial resources and, therefore, are not reported in the funds. | | |
| Nondepreciable capital assets | 300,526,688 | |
| Depreciable capital assets | 2,572,572,422 | |
| Accumulated depreciation | (756,676,664) | |
| Total | | 2,116,422,446 |
| Internal service funds are used by management to provide certain goods and services to governmental funds. The assets, deferred outflows, liabilities, and deferred inflows of the internal service funds are included in governmental activities in the Statement of Net Position. | | |
| Assets: | | |
| Current assets | 74,108,981 | |
| Liabilities | (21,838,499) | |
| Total | | 52,270,482 |
| Non-current liabilities related to governmental funds' activities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Compensated absences | (52,380,733) | |
| Leases liabilities | (25,259,130) | |
| Accrued interest on long-term debt | (386,259) | |
| Total | | (78,026,122) |
| GAAP requires the reporting of net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions in the Statement of Net Position; however, they are not financial resources and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 413,699,015 | |
| Net pension liability | (1,185,302,293) | |
| Deferred inflows of resources related to pensions | (67,983,509) | |
| Total | | (839,586,787) |
| GAAP requires the reporting of net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB in the Statement of Net Position; however, they are not financial resources and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources related to OPEB | 165,074,639 | |
| Net OPEB liability | (334,779,254) | |
| Deferred inflows of resources related to OPEB | (72,612,130) | |
| Total | | (242,316,745) |
| Net position of governmental activities | | $ 1,235,724,115 |

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, 2021

| | General Fund | Capital Improvements Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Federal government | $ 15,653,053 | $ - | $ 57,100,028 | $ 72,753,081 |
| Commonwealth of Virginia | 406,494,342 | - | 5,482,242 | 411,976,584 |
| County of Loudoun, Virginia | 912,225,228 | 158,909,821 | 32,320,824 | 1,103,455,873 |
| Charges for services: | | | | |
| Tuition and fees | 2,359,797 | - | - | 2,359,797 |
| Food sales | - | - | 9,363 | 9,363 |
| Revenue from the use of money and property | 433,979 | - | - | 433,979 |
| Recovered costs | 7,070,742 | - | - | 7,070,742 |
| Other | 1,929,899 | - | 11,411,865 | 13,341,764 |
| Total revenues | 1,346,167,040 | 158,909,821 | 106,324,322 | 1,611,401,183 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 806,554,535 | - | 15,534,948 | 822,089,483 |
| Special | 225,731,377 | - | 17,431,211 | 243,162,588 |
| Adult education | 456,111 | - | 250,273 | 706,384 |
| Other | 4,076,944 | - | - | 4,076,944 |
| Support services: | | | | |
| Administration | 31,130,912 | - | - | 31,130,912 |
| Attendance and health | 28,455,101 | - | - | 28,455,101 |
| Pupil transportation | 54,253,537 | - | - | 54,253,537 |
| Facilities services | 6,652,455 | - | - | 6,652,455 |
| Operation and maintenance | 97,417,609 | - | 14,445,756 | 111,863,365 |
| School nutrition services | 416,042 | - | 27,647,791 | 28,063,833 |
| Technology | 56,390,125 | - | 9,746,563 | 66,136,688 |
| Capital outlay | 5,845,323 | 153,243,442 | 2,435,484 | 161,524,249 |
| Debt service: | | | | |
| Principal | - | - | 9,959,753 | 9,959,753 |
| Interest | - | - | 496,972 | 496,972 |
| Total expenditures | 1,317,380,071 | 153,243,442 | 97,948,751 | 1,568,572,264 |
| Excess (deficiency) of revenues over (under) expenditures | 28,786,969 | 5,666,379 | 8,375,571 | 42,828,919 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Capital leases and installment purchases | - | - | 10,000,000 | 10,000,000 |
| Transfers Out | (980,011) | - | - | (980,011) |
| Total other financing sources (uses) | (980,011) | - | 10,000,000 | 9,019,989 |
| Net change in fund balances | 27,806,958 | 5,666,379 | 18,375,571 | 51,848,908 |
| Fund balances at beginning of year, restated (Note IV, L) | 48,216,773 | 90,861,943 | 36,033,217 | 175,111,933 |
| Fund balances at end of year | $ 76,023,731 | $ 96,528,322 | $ 54,408,788 | $ 226,960,841 |

See accompanying notes to the financial statements.

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit VI**

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
## Governmental Funds
### For the Fiscal Year Ended June 30, 2021

| | | |
|---|---|---|
| Net changes in fund balances - total governmental funds | | $ 51,848,908 |
| 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 | 161,524,249 | |
| Depreciation expense | (64,364,217) | |
| Total | | 97,160,032 |
| 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. | | (110,542) |
| 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. | | 9,959,753 |
| 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) |
| 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: | | |
| OPEB contributions | 39,544,066 | |
| Cost of benefits earned net of employee contributions | (50,041,191) | (10,497,125) |
| Compensated absences | | (8,142,160) |
| Pensions: | | |
| Pension contributions | 125,565,833 | |
| Cost of benefits earned net of employee contributions | (184,907,565) | (59,341,732) |
| 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. | | (965,736) |
| 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. | | 71,169 |
| Change in net position of governmental activities | | $ 69,982,567 |

See accompanying notes to the financial statements.

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit VII**

## Statement of Net Position
## Proprietary Funds
### June 30, 2021

| | Self-Insurance Fund |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Accounts receivable, net | $ 366,514 |
| Interfund receivables | 68,999,467 |
| Deposits | 4,743,000 |
| Total current assets | 74,108,981 |
| Total assets | 74,108,981 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | 3,258,995 |
| Accrued liabilities | 455,048 |
| Claims liabilities | 17,073,598 |
| Total current liabilities | 20,787,641 |
| Noncurrent liabilities: | |
| Claims liabilities | 1,050,858 |
| Total noncurrent liabilities | 1,050,858 |
| Total liabilities | 21,838,499 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| **NET POSITION** | |
| Unrestricted | 52,270,482 |
| Total net position | $ 52,270,482 |

See accompanying notes to the financial statements.

## LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VIII

### Statement of Revenues, Expenses, and Changes in Fund Net Position
### Proprietary Funds
For the Fiscal Year Ended June 30, 2021

| | Internal Service Funds |
|---|---|
| **OPERATING REVENUES** | |
| Charges for services | $ 212,760,587 |
| Use of property | 2,657 |
| Total operating revenues | 212,763,244 |
| **OPERATING EXPENSES** | |
| Claims | 193,841,671 |
| Personnel services | 9,499,158 |
| Other services and charges | 8,295,328 |
| Materials and supplies | 2,969,980 |
| Depreciation | 102,854 |
| Total operating expenses | 214,708,991 |
| Net operating loss | (1,945,747) |
| **OTHER FINANCING SOURCES** | |
| Transfers In | 980,011 |
| Total other financing sources | 980,011 |
| Net operating loss | (965,736) |
| Total net non-operating loss on dissolution, (Note IV. M) | (1,870,523) |
| Net loss | (2,836,259) |
| Net position at beginning of year | 55,106,741 |
| Net position at end of year | $ 52,270,482 |

See accompanying notes to the financial statements.

## LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit IX

### Statement of Cash Flows
### Proprietary Funds
For the Fiscal Year Ended June 30, 2021

| | Internal Service Funds |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers | $ 212,691,748 |
| Payments to suppliers for goods and services | (15,521,262) |
| Claims paid | (192,997,602) |
| Payments to employees | (10,652,928) |
| Payments to interfund services | 6,480,044 |
| Net cash provided by operating activities | - |
| Cash at beginning of year | - |
| Cash at end of year | $ - |
| **Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:** | |
| **NET OPERATING LOSS** | $ (1,945,747) |
| **ADJUSTMENTS NOT AFFECTING CASH** | |
| Depreciation | 102,854 |
| **(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES** | |
| Accounts receivable, net | (71,496) |
| Interfund receivables | 5,513,658 |
| Inventories | 832,407 |
| Deposits | (958,000) |
| Accounts payable | (3,331,585) |
| Accrued liabilities | (798,776) |
| Interfund payables | (187,384) |
| Claims liabilities | 844,069 |
| Total adjustments | 1,945,747 |
| Net cash provided by operating activities | $ - |

See accompanying notes to the financial statements.

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit X**

## Statement of Fiduciary Net Position
## Fiduciary Funds
### June 30, 2021

| | Other Postemployment Benefits Fund |
|---|---|
| **ASSETS** | |
| Investments at fair value-investments in pooled funds | 248,235,318 |
| Total assets | $ 248,235,318 |
| **NET POSITION** | |
| Net position restricted for other postemployment benefits | $ 248,235,318 |

See accompanying notes to the financial statements.

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XI**

### Statement of Changes in Fiduciary Net Position

### Fiduciary Funds

**For the Fiscal Year Ended June 30, 2021**

| | Other Postemployment Benefits Trust |
|---|---|
| **ADDITIONS** | |
| Contributions: | |
| Employer | $ 30,690,061 |
| Total contributions | 30,690,061 |
| Investment income: | |
| Interest | 41,098 |
| Net appreciation in investments | 41,186,035 |
| Investment management fees | (122,200) |
| Total investment income | 41,104,933 |
| Total additions | 71,794,994 |
| **DEDUCTIONS** | |
| Benefit payments | 20,199,039 |
| Administrative payments | 491,022 |
| Total deductions | 20,690,061 |
| Changes in net position | 51,104,933 |
| Net position restricted for other postemployment benefits, at beginning of year | 197,130,385 |
| Net position restricted for other postemployment benefits, at end of year | $ 248,235,318 |

See accompanying notes to the financial statements.

# Notes to the Financial Statements

## Loudoun County Public Schools
## June 30, 2021

## 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. Per accounting principles generally accepted in the United States of America as applicable to governmental units (GAAP), component units are legally separate entities for which the Primary Government is financially accountable. Accordingly, Middleburg Community Charter School (MCCS) and Hillsboro Charter Academy (HCA) meet those criteria as component units of LCPS. MCCS and HCA are financially dependent upon LCPS for operating funding as LCPS provides each Charter School with financial resources equal to each school's pupil enrollment times the LCPS' cost per pupil. MCCS and HCA also meet the requirement of a discretely presented component unit and are included as such for fiscal year ended June 30, 2021.

MCCS is a public school which provides the children of Loudoun County a 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 skills 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 GAAP. The Governmental Accounting Standards Board 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 units are categorized solely as governmental. The Statement of Net Position presents the overall financial condition of LCPS and its component units 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 of revenues and expenses indicate 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 one fiduciary fund, the Other Postemployment Benefits (OPEB) Trust Fund 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. The School Activity Fund accounts for monies collected and disbursed at schools in support of student related activities.
- **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.
- **School Activity Fund –** The School Activity Fund accounts for monies collected and disbursed at schools in connection with student athletics, classes, clubs, various fund raising activities, and private donations.
- **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.

- **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 Central Service Fund was closed as of December, 31,2020 and the fleet management services are now accounted for under the General Fund. The 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.
- **LCPS OPEB Trust Fund—**The LCPS OPEB Trust Fund is a fiduciary fund, which accounts for monies collected and disbursed in connection with other postemployment benefits provided to LCPS' retirees for health care.

## 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 liabilities, pension liabilities, 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 liabilities, 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 and the accrual basis of accounting. 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. 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 and the accrual basis of accounting. The fiduciary fund is used to report assets held in trust.

## D. UNEARNED REVENUES, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

### 1. 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.

### 2. DEFERRED OUTFLOWS OF RESOURCES

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. LCPS reports deferred outflows of resources for amounts related to pensions and amounts related OPEB in the government-wide Statement of Net Position. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, pension/OPEB trust net change in investments, change in the proportionate share of total VRS Teachers' Pool liability and VRS OPEB programs, actual economic experience that is different than estimated, and pension/OPEB net contributions made to the measurement date. Changes in deferred outflows of resources are amortized over the remaining net contributions of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period, and contributions, which are amortized over one year.

### 3. DEFERRED INFLOWS OF RESOURCES

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide statement of net position. Actuarial losses resulting from a difference in expected and actual experience, net change in investments, changes in actuarial assumptions and changes in proportionate share are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

## 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 School 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 governmental funds and proprietary funds' statements. Under this method, inventory items are comprised of expendable supplies and are expensed as they are consumed.

Certain payments to vendors reflect 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 $4,403,000 to its health insurance third party administrator for future claim transactions.

## 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. Accumulated depreciation is reported as a reduction to the capital assets.

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

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

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, 2021.

## H. COMPENSATED ABSENCES AND ACCRUED SALARIES AND BENEFITS

LCPS employees, other than teachers, earn annual leave pay based on a prescribed formula depending on years of service. Eligible employees are allowed to accumulate a maximum of 560 hours of annual leave as of the end of each fiscal year. Any excess annual leave hours are converted to sick leave. Employees who terminate their employment will have their annual leave prorated based on the total amount earned for the school year. Payment for earned annual leave will be calculated based upon the employees regular rate of pay at the time of separation. Teachers do not accumulate annual leave. As of June 30, 2021, $26,338,287 of accumulated annual leave was accrued as compensated absences.

Any LCPS retiree, with ten (10) or more years of service will receive 25% of their final daily wage for each day of unused sick leave, the total amount not to exceed an index of 25% of the previous year's average teacher salary for LCPS as reported in the State of Virginia's Annual School Report. There is an allowed maximum amount of $17,508 per individual for FY20. As of June 30, 2021, $18,573,045 of unused sick leave was accrued as compensated absences.

Additionally, any LCPS retiree, with ten (10) or more years of service is eligible for a salary supplement equal to 0.5% of the final annual salary multiplied by the number of years of service to LCPS. The amount shall not exceed $2,500 nor be less than $500. As of June 30, 2021, $7,469,401 of eligible retiree salary supplement was accrued.

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, 2021 .

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

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements as well as in the proprietary fund financial statements. These liabilities are segregated between current and long-term; however, in the government-wide financial statements, the long-term liabilities 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 liabilities of the funds. Certain long-term liabilities, 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 liabilities reported deferred outflows of resources and deferred inflows of resources related to pensions and are reported at fiscal year end in the government-wide financial statements as well as in the proprietary funds' financial statements.

OPEB liabilities reported deferred outflows of resources and deferred inflows of resources related to OPEB and are reported at fiscal year end in the government-wide financial statements as well as in the proprietary fund financial statements.

## 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 units, falls into three categories: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets represents the portion of net position related to capital assets, net of accumulated depreciation, reduced by the outstanding capital lease liabilities to acquire these assets, and reduced by other liabilities related to acquiring these assets.

| | |
|---|---|
| Total capital assets, net of depreciation | $ 2,116,422,446 |
| Lease payable | (25,259,130) |
| Total liabilities - Capital Improvements Fund | (29,411,881) |
| Net Investment in capital assets | $ 2,061,751,435 |

The restricted net position represents the portion of net position that is legally restricted to be used for the nonexpendable portion ($22,370) of the permanent fund and the portion legally restricted by lease agreements.

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.

### 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 a similar 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, 2021:*

| | | |
|---|---|---|
| General Fund | $ | 54,116,288 |
| Capital Improvements Fund | | 74,948,767 |
| Nonmajor Funds (aggregate) | | 11,652,235 |
| Total Governmental Funds | $ | 140,717,290 |

## M. PENSION PLANS

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' pension plans and the additions to/deletions from LCPS' pension 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. OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of LCPS' OPEB plans and the additions to/deletions from LCPS' OPEB plans' net fiduciary position have been determined on the same basis as they were reported by the VRS for Group Life Insurance (GLI), Health Insurance Credit (HIC), and Virginia Local Disability Program (VLDP), as well as by the actuarial valuation provided for LPCS' OPEB Trust. 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.

## O. 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.

## P. 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.

## Q. NEW PRONOUNCEMENTS

The GASB issued Statement 84, *Fiduciary Activities,* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has implemented this Statement.

The GASB issued Statement 87, *Leases,* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is in the process of completing its assessment of the impact of these requirements.

The GASB issued Statement 89, *Accounting for Interest Cost Incurred before the End of the Construction Period,* in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of the construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. This Statement does not apply to the reporting entity.

The GASB issued Statement No. 91, *Conduit Debt Obligations,* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2021. Management is in the process of completing its assessment of the impact of these requirements.

The GASB issued Statement No. 92, *Omnibus 2020*, in January 2020. This Statement addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021 as originally established, however, GASB Statement No. 95 allows governments to postpone implementation for one year. Management is in the process of completing its assessment of the impact of these requirements

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management is in the process of completing its assessment of the impact of these requirements

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021. Management is in the process of completing its assessment of the impact of these requirements.

**R. CORONAVIRUS (COVID-19) UNCERTAINTIES**

LCPS has received significant stimulus funding and grants to manage the impact of the pandemic and staff is working to maximize the usage of these resources. Revenue and expenditures are currently trending in line with budget expectations. As there is still a significant level of uncertainty associated with the pandemic, LCPS continues to actively monitor developments and will take steps to respond accordingly based on updated economic forecasts.

## 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 Annual Comprehensive Financial Report at https://www.loudoun.gov/financialreports for detailed investment policy. These balances are reflected as amounts Due from the County in the financial statements.

### 1. CASH AND CASH EQUIVALENTS

The General Fund holds $200 petty cash on June 30, 2021 for small purchases on an emergency basis. The School Nutrition Services Fund held no petty cash in its change fund on June 30, 2021. Cash and temporary investments related to MCCS are all highly liquid cash and cash equivalents. Cash and temporary investments related to the School Activity Funds are all highly liquid cash and cash equivalents. The Special Revenue School Activity Fund reported $8,809,663 cash and cash equivalents on June 30, 2021.

MCCS had $617,296 cash and cash equivalents on June 30, 2021. Cash and temporary investments related to HCA are all highly liquid cash and cash equivalents. HCA had $859,588 cash and cash equivalents on June 30, 2021.

### 2. 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 trust is not rated by a nationally recognized statistical rating organization.

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, 2021, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, or concentration of credit 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. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average effective duration of the Virginia Pooled OPEB Trust at June 30, 2020 was 5.31 years.

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.

The Coronavirus (COVID-19) pandemic has had a significant impact on the US economy, including most retiree health plans, and will likely continue to have an impact in the future.

At June 30, 2021, LCPS' share in this pool was $248,235,318 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 requires 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, 2021 are as follows:*

| Fund | Federal Government | Commonwealth of Virginia | Total |
|---|---|---|---|
| General Fund | $ - | $ 8,537,636 | $ 8,537,636 |
| Nonmajor Governmental Funds | 2,234,146 | 1,026,147 | 3,260,293 |
| Total | $ 2,234,146 | $ 9,563,783 | $ 11,797,929 |

## 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, 2021 are as follows:*

| Fund | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ - | $ 239,875,604 |
| Capital Improvements Fund | 125,940,203 | - |
| Lease Fund | 1,602,239 | - |
| School Nutrition Services Fund | 24,317,841 | - |
| Grant Fund | - | 1,935,564 |
| Capital Asset Preservation Fund | 20,929,978 | - |
| Debt Service Fund | - | 930 |
| Peabody Trust Fund | 22,370 | - |
| Proprietary-Self Insurance Fund | 68,999,467 | - |
| Total | $ 241,812,098 | $ 241,812,098 |

## D. INTERFUND TRANSFERS

The interfund transfer during fiscal year 2021 was in the amount of $980,011.

## E. CAPITAL ASSETS

*A summary of capital asset activity for fiscal year 2021 was as follows:*

| Governmental Activities | Balance June 30, 2020 | Increases | Decreases | Balance June 30, 2021 |
|---|---|---|---|---|
| Non-depreciable capital assets: | | | | |
| Land | $ 160,237,672 | $ 9,828,587 | $ - | $ 170,066,259 |
| Construction in progress | 136,530,430 | 153,324,180 | (159,394,181) | 130,460,429 |
| Total non-depreciable capital assets | 296,768,102 | 163,152,767 | (159,394,181) | 300,526,688 |
| Depreciable capital assets | | | | |
| Building | 2,258,349,096 | 135,057,619 | - | 2,393,406,715 |
| Machinery and equipment | 150,330,494 | 21,988,933 | (6,504,738) | 165,814,689 |
| Improvements other than buildings | 12,630,786 | 719,111 | - | 13,349,897 |
| Infrastructure | 1,121 | - | - | 1,121 |
| Total depreciable capital assets | 2,421,311,497 | 157,765,663 | (6,504,738) | 2,572,572,422 |
| Accumulated depreciation: | | | | |
| Buildings | (580,671,094) | (52,418,974) | - | (633,090,068) |
| Machinery and equipment | (114,601,325) | (10,826,032) | 6,394,196 | (119,033,161) |
| Improvements other than buildings | (3,330,782) | (1,222,008) | - | (4,552,790) |
| Infrastructure | (589) | (56) | - | (645) |
| Total accumulated depreciation | (698,603,790) | (64,467,070) | 6,394,196 | (756,676,664) |
| Depreciable capital assets, net | 1,722,707,707 | 93,298,593 | (110,542) | 1,815,895,758 |
| Total capital assets, net | $ 2,019,475,809 | $ 256,451,360 | $ (159,504,723) | $ 2,116,422,446 |

*Depreciation was charged to governmental programs/functions as shown:*

| Governmental Activities | Depreciation Expense |
|---|---|
| Instruction: | |
| Regular | $ 50,814,380 |
| Special Education | 48,021 |
| Support services: | |
| Administration | 661,186 |
| Attendance and health | 13,981 |
| Pupil transportation | 7,129,955 |
| Facilities | 3,313,117 |
| Operation and maintenance | 751,740 |
| School nutrition services | 30,838 |
| Technology | 1,600,998 |
| In addition, depreciation expense on capital assets held by the internal service funds is charged to pupil transportation. | 102,854 |
| Total | $ 64,467,070 |

## F. DEFERRED OUTFLOWS OF RESOURCES

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, 2021, LCPS had deferred outflows of resources relating to other postemployment benefits and pensions in the amounts of 165,074,639 and $413,699,015 respectively.

## G. DEFERRED INFLOWS OF RESOURCES

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, 2021, LCPS had deferred inflows of resources relating to other postemployment benefits and pensions in the amounts of $72,612,130 and $67,983,509 respectively.

## H. LONG-TERM LIABILITIES

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

Long-term liabilities related to capital leases are liquidated through LCPS' Debt Service Fund. Long-term liabilities for claims are liquidated by the Self-Insurance Internal Service Fund. Compensated absences, net OPEB liabilities and net pension liabilities are liquidated by the General Fund, the School Nutrition Services Fund, the Grant Fund and the Central Services Fund based upon allocations to each fund.

*The following is a summary of changes in the long-term liabilities of LCPS for the year ended June 30, 2021:*

| Governmental Activities | Balance June 30, 2020 | Additions | Reductions | Balance June 30, 2021 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 44,238,573 | $ 17,780,063 | $ 9,637,903 | $ 52,380,733 | $ 3,564,265 |
| Claims liabilities | 17,280,388 | 193,841,671 | 192,997,603 | 18,124,456 | 17,073,598 |
| Leases payable | 25,218,883 | 10,000,000 | 9,959,753 | 25,259,130 | 10,028,104 |
| Net OPEB liability | 403,737,216 | 208,162,668 | 277,120,630 | 334,779,254 | - |
| Net pension liability | 993,580,040 | 557,812,944 | 366,090,691 | 1,185,302,293 | - |
| Total | $ 1,484,055,100 | $ 987,597,346 | $ 855,806,580 | $ 1,615,845,866 | $ 30,665,967 |

*For purposes of aiding the reader to understand the additional net OPEB liabilities that are included, we are presenting the following expansion schedule:*

| Governmental Activities | Balance June 30, 2020 | Additions | Reductions | Balance June 30, 2021 | Due Within One Year |
|---|---|---|---|---|---|
| Virginia Local Disability Program | $ 315,605 | $ 1,257,946 | $ 1,232,426 | $ 341,125 | $ - |
| Group Life Insurance | 57,298,481 | 23,140,410 | 18,058,458 | 62,380,433 | - |
| Health Insurance Credit | 98,394,331 | 27,712,725 | 21,022,350 | 105,084,706 | - |
| OPEB Trust | 247,728,799 | 156,051,587 | 236,807,396 | 166,972,990 | - |
| Total | $ 403,737,216 | $ 208,162,668 | $ 277,120,630 | $ 334,779,254 | $ - |

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, 2021:*

| Year Ending June 30 | Principal | Interest |
|---|---|---|
| 2022 | $ 10,028,104 | $ 420,471 |
| 2023 | 7,611,639 | 241,854 |
| 2024 | 5,080,830 | 98,848 |
| 2025 | 2,538,557 | 26,147 |
| Total lease payable | $ 25,259,130 | $ 787,320 |

*The following schedule lists the capital leases at June 30, 2021 by individual items:*

| Date Issued | Final Maturity | Interest Rate | Issue Amount | Balance at June 30, 2021 | Type of Project Financed (the assets acquired secured the related capital lease) |
|---|---|---|---|---|---|
| 8/2/2017 | 8/2/2021 | 1.51% | $ 10,000,000 | $ 2,556,479 | $2.9M for vehicles; $7.1M for computers and equipment |
| 8/2/2018 | 8/2/2022 | 2.71% | 10,000,000 | 5,135,314 | $2.8M for vehicles; $7.2M for computers and equipment |
| 8/6/2019 | 8/6/2023 | 1.82% | 10,000,000 | 7,567,337 | $.6M for vehicles; $9.4M for computers and equipment |
| 8/6/2020 | 8/6/2024 | 1.03% | 10,000,000 | 10,000,000 | .$5M for vehicles;$9.5M for technology and equipment |
| | | | $ 40,000,000 | $ 25,259,130 | |

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, 2021, LCPS had contractual commitments in the amount of $74,948,767 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 2021.

## 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). In addition, LCPS carries cyber risk liability insurance with a $2,000,000 limit (per occurrence and annual aggregate) providing coverage due to network security breaches (including hacking and viruses) and online privacy matters (including identity theft).

LCPS has 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. LCPS has not had any insurance claims or made any settlements to exceed insurance coverage amounts for each of the past three fiscal years.

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 2020 | | |
|---|---|---|
| Unpaid claims beginning of fiscal year | $ | 6,891,092 |
| Incurred claims (including IBNR) | | 1,723,020 |
| Claim payments | | (2,423,124) |
| Unpaid claims end of fiscal year | $ | 6,190,988 |

| Fiscal Year 2021 | | |
|---|---|---|
| Unpaid claims beginning of fiscal year | $ | 6,190,988 |
| Incurred claims (including IBNR) | | 724,365 |
| Claim payments | | (1,679,197) |
| Unpaid claims end of fiscal year | $ | 5,236,156 |

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 $575,000 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 2020 | | |
|---|---|---|
| Unpaid claims beginning of fiscal year | $ | 10,182,506 |
| Incurred claims (including IBNR) | | 183,378,973 |
| Claim payments | | (182,472,079) |
| Unpaid claims end of fiscal year | $ | 11,089,400 |

| Fiscal Year 2021 | | |
|---|---|---|
| Unpaid claims beginning of fiscal year | $ | 11,089,400 |
| Incurred claims (including IBNR) | | 193,117,305 |
| Claim payments | | (191,318,405) |
| Unpaid claims end of fiscal year | $ | 12,888,300 |

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. LCPS' OPEB TRUST

### 1. BACKGROUND

LCPS presents the requirements for OPEB offered to retirees in accordance with GAAP.

GAAP prescribes 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 for decision made by the various users of the general purpose external financial reports of governments whose employees, both active and inactive, are provided with postemployment benefits other than pensions, or OPEB. One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB liabilities and the resources, if any, available to satisfy those liabilities. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities.

LCPS' subsidy is funded on a pay-as-you-go basis plus an amount determined by management to pre-fund future costs. 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), which provides healthcare insurance for eligible retirees and their spouses through LCPS' group health insurance plan, which covers both active and retired members. Actives hired prior to July 1, 2013 are eligible for retiree coverage provided certain eligibility requirements are met. LCPS offers a Point of Service (POS) Plan and an Open Access Plus (OAP) Plan to non-Medicare retirees. A Medicare Supplement Plan is offered to Medicare-eligible retirees/dependents.

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.

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 June 30, 2021, the date of the most recent actuarial valuation, plan membership consisted of:*

| | |
|---|---|
| Retirees and beneficiaries entitled to benefits | 1,890 |
| Active plan members | 5,688 |
| Total | 7,578 |

### 3. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

*The following charts reflect the deferred inflows and outflows of resources related to LCPS OPEB Trust. Deferred inflows and outflows are differences between actual and expected experience that are not reflected in the current year's expenses.*

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 47,891,580 | $ 39,974,838 |
| Net difference between projected and actual earnings on LCPS OPEB Trust plan investments | - | 20,233,285 |
| Changes in Assumptions | 71,730,308 | 8,432,028 |
| Total | $ 119,621,888 | $ 68,640,151 |

*Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows*

| Year Ended June 30, | | |
|---|---|---|
| 2022 | $ | 6,692,660 |
| 2023 | | 6,159,452 |
| 2024 | | 5,998,289 |
| 2025 | | 5,300,666 |
| 2026 | | 11,096,088 |
| Thereafter | | 15,734,582 |
| Total | $ | 50,981,737 |

4. **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. Contributions from LCPS towards OPEB benefits over the most recent five-year period were approximately $27,085,000 per year. During fiscal year 2021, LCPS contributed $25,007,398 to the OPEB Trust Fund, which included $15,007,398 for current costs and an additional $10,000,000 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). The Virginia Pooled OPEB Trust Fund was established in 2008 as an investment vehicle for participating employers to accumulate assets to fund OPEB.

The Virginia Pooled OPEB Trust Fund is governed by a Board of Trustees. The Board of Trustees is responsible for managing Trust Fund assets through the appointment and oversight of investment managers and with the guidance of an investment advisor. The targeted rate of return established by the Trustees for the Virginia Pooled OPEB Trust Fund, Portfolio II, is currently 6.00%.

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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 20.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 8 East Canal Street, Richmond, Virginia 23219.

a. **Long-Term Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses.

*The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:*

| Asset Class | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|---|---|---|
| Domestic Equity | 27.00% | 7.04% |
| International Equity, Developed Markets | 9.00% | 7.79% |
| international Equity, Emerging Markets | 4.00% | 9.69% |
| Fixed Income Core | 17.00% | 0.89% |
| Fixed Income Core Plus | 38.00% | 3.59% |
| Real Estate | 5.00% | 4.14% |
| Total | 100.00% | |

The discount rate used to measure the Total OPEB Liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions from Loudoun County Public Schools will continue to be made commensurate with their average contributions over the most recent five-year period (approximately $27,085,000 per year). Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

5. **ANNUAL OPEB COST AND NET OPEB LIABILITY**

LCPS is required to contribute the *actuarially determined contribution* of the employer *(ADC),* an amount actuarially determined in accordance with the parameters of GAAP.

The ADC 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' Net OPEB Liability (NOL) calculation consists of the Total OPEB Liability (TOL) less the Plan Fiduciary Net Position. The NOL as of June 30, 2021 is $166,972,990, a decrease of $(80,755,809) from the prior valuation NOL of $247,728,799 as of June 30, 2020. The difference between the actual and expected Net OPEB Liability was the net effect of several factors:

- Combined actuarial experience gains decreased the NOL by $75,614,424. These were comprised of $46,637,314 gains due to differences between expected and actuarial experience on liabilities resulting from demographic changes and actual 2021 contributions and benefit payments that were different from expected and $28,977,110 gains due to differences between expected and actuarial earnings on investments.
- Valuation assumption changes decreased the NOL by $7,502,400. This was a net result of (1) a decrease in obligations due to updating the valuation-year per capita health costs and modifying the assumed mortality rates, partially offset by (2) and increase due to updating the future trend rates on the valuation-year per capita health costs and retiree self-pay contribution rates not increasing as expected.

As of June 30, 2021, the ratio of assets to the Total OPEB Liability (the funded ratio) is 59.79%. This is based on the market value of assets at this point in time.

The Annual OPEB Expense is $34,061,067 for the year ending June 30, 2021. The expense was $32,344,174 for the year ending June 30, 2020.

Total OPEB Liability includes service cost, interest, changes of benefit terms and assumptions, any difference between expected and actual experience and benefit payments.

The Plan Fiduciary Net Position consists of the LCPS' contributions plus net investment income, less any benefit payments, Administrative expenses and Other disbursements. Benefit payments includes any refunds of member contributions.

**a. Changes in Net OPEB Liability**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2020 | $ 444,859,184 | $ 197,130,385 | $ 247,728,799 |
| Changes for the year: | | | |
| Service cost | 12,498,442 | - | 12,498,442 |
| Interest | 26,997,794 | - | 26,997,794 |
| Difference between expected and actual experience | (46,637,314) | - | (46,637,314) |
| Changes of assumptions | (7,502,400) | - | (7,502,400) |
| Contributions-employer | - | 25,007,398 | (25,007,398) |
| Net investment income | - | 41,104,933 | (41,104,933) |
| Benefit payments, including refunds of employee contributions | (15,007,398) | (15,007,398) | - |
| Net changes | (29,650,876) | 51,104,933 | (80,755,809) |
| Balances at June 30, 2021 | $ 415,208,308 | $ 248,235,318 | $ 166,972,990 |

The Net OPEB Liability was measured as of June 30, 2021 and 2020. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the Total OPEB Liability was determined from actuarial valuations using data as of June 30, 2020 and 2019, respectively.

*Actuarial assumptions. The Total OPEB Liability was measured by an actuarial valuation as of June 30, 2021.*

| | |
|---|---|
| Inflation | 2.10% |
| Salary Increases | Varies by service |
| Discount rate | 6.00% |
| Healthcare cost trend rates: | |
| Non-Medicare Medical & Prescription Drug | 6.8% graded to 4.50% over 12 years |
| Medicare Medical and Prescription Drug | 6.0% graded to 4.50% over 10 years |
| Dental | 4.00% |
| Vision | 3.00% |
| Mortality rates: | |
| Healthy | Approximate 2006 table based on Headcount-Weighted RP-2014 Combined Healthy Annuitant, projected generationally with Scale MP- 2020 from 2006 |
| Disabled | Approximate 2006 table based on Headcount-Weighted RP-2014 Disabled Retiree, projected generationally with Scale MP-2020 from 2006 |

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

*The following presents the NOL of the County as well as what the County's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate.*

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| Net OPEB Liability | $209,957,741 | $166,972,990 | $129,557,264 |

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

*The following represents the NOL as if it were calculated using healthcare cost trend rates that were 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates.*

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB Liability | $160,168,316 | $166,972,990 | $168,417,134 |

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 demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

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.

6. **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, if any.

Many of the demographic assumptions used in this valuation (including disability, turnover, retirement, and salary increases) are the same as used in the Virginia Retirement System Actuarial Valuation as of June 30, 2020, completed by Cavanaugh Macdonald Consulting. We have no reason to doubt their reasonableness for use in this valuation. In addition, a comparison was made between the actual number of disability retirements, retirements, and terminations and the projected number.

7. **PLANS REPORTING**

The OPEB Trust is sponsored by VML/VACo.

*For purposes of aiding the reader to full understanding of the impact of the total OPEB requirements on the net position of LCPS, the following allocation schedule is presented:*

| | LCPS-OPEB Trust Totals |
|---|---|
| Net OPEB liability | $ 166,972,990 |
| OPEB Expense | 34,061,067 |
| Deferred outflows of resources: | |
| Net difference between projected and actual earnings | |
| Changes of assumptions | 71,730,308 |
| Difference between expected and actual experience | 47,891,580 |
| Total deferred outflows of resources | 119,621,888 |
| Deferred inflows of resources: | |
| Net difference between projected and actual earnings | |
| on OPEB plan investments | 20,233,285 |
| Difference between expected and actual experience | 39,974,838 |
| Changes of assumptions | 8,432,028 |
| Total deferred inflows of resources | 68,640,151 |

## D. OPEB GROUP LIFE INSURANCE

1. **BACKGROUND**

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, costsharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to § 51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/ deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. **PLAN DESCRIPTION**

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

**GLI PROGRAM PLAN PROVISIONS**

**Eligible Employees**

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

**Benefit Amounts**

The benefits payable under the GLI Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

**Reduction in Benefit Amounts**

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

**Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,616 as of June 30,2021.

3. **CONTRIBUTIONS**

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation.This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. LCPS' contributions to the GLI Program were $4,300,601 (see XIX) and $4,000,286 for the years ended June 30, 2021 and June 30, 2020, respectively.

4. **GLI OPEB LIABILITIES, EXPENSES AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

At June 30, 2021, the entities reported a liability of  for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, LCPS' proportion was 3.7380%  as compared to  3.5155% at June 30, 2019.

For the year ended June 30, 2021, LCPS recognized GLI OPEB expense of  $4,028,045. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

*At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:*

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 4,001,130 | $ 560,285 |
| Net difference between projected and actual earnings on GLI OPEB program investments | 1,873,853 | - |
| Changes in Assumptions | 3,119,740 | 1,302,540 |
| Changes in Proportion | 6,439,438 | 21,472 |
| Employer contributions subsequent to the measurement date | 4,276,765 | - |
| Total | $ 19,710,926 | $ 1,884,297 |

$4,276,765. reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022.

*Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:*

| Year Ended June 30, | |
|---|---|
| 2022 | $ 2,588,806 |
| 2023 | 3,117,988 |
| 2024 | 3,425,210 |
| 2025 | 3,096,373 |
| 2026 | 1,164,349 |
| Thereafter | 157,138 |
| Total | $ 13,549,864 |

5. **ACTUARIAL ASSUMPTIONS**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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,  2020.

| | |
|---|---|
| Inflation | 2.5 % |
| Salary increases, including inflation - | |
| General state employees | 3.5 % – 5.35 % |
| Teachers | 3.5 % – 5.95 % |
| SPORS employees | 3.5 % – 4.75 % |
| VaLORS employees | 3.5 % – 4.75 % |
| JRS employees | 4.5 % |
| Locality – General employees | 3.5 % – 5.35 % |
| Locality – Hazardous Duty employees | 3.5 % – 4.75 % |
| Investment rate of return | 6.75 %, net of investment expenses, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.*

Mortality rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2021** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at 81 and older projected with Scale BB to 20220.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 20220; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2021** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 20220; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 20220; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2021** |
|---|---|
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

6. **NET GLI OPEB LIABILITY**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GAAP ,less the associated fiduciary net position.

*As of June 30, 2020, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):*

| | Group Life Insurance OPEB |
|---|---|
| Total GLI OPEB Liability | $ 3,523,937 |
| Plan Fiduciary Net Position | 1,855,102 |
| Employers' Net GLI OPEB Liability (Asset) | $ 1,668,835 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 52.64% |

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

7. **LONG-TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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 |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

**The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10,2019, the VRS Board elected a longterm rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY202 actuarial valuations, provide a median return of 6.81%*

8. **DISCOUNT RATE**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

9. **SENSITIVITY OF LCPS' PROPORTIONATE SHARE OF THE NET GLI OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE**

*The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher(7.75%) than the current rate:*

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| LCPS' net OPEB liability | $82,003,868 | $62,380,433 | $46,444,365 |

10. **GLI PROGRAM FIDUCIARY NET POSITION**

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report. A copy of the 2020 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

11. **PLANS REPORTING**

*For purposes of aiding the reader to full understanding of the impact of the total OPEB requirements on the net position of LCPS, the following combining and allocation schedule is presented:*

| | VRS-Group Life Insurance (GLI) | | |
|---|---|---|---|
| | Teachers | Political Subdivision | Combined Totals |
| Net OPEB liability | $ 56,861,425 | $ 5,519,008 | $ 62,380,433 |
| OPEB Expense | 3,720,651 | 307,394 | 4,028,045 |
| Deferred outflows of resources: | | | |
| Changes in proportionate share | 6,028,063 | 411,375 | 6,439,438 |
| Changes of assumptions | 2,843,726 | 276,014 | 3,119,740 |
| Difference between expected and actual experience | 3,647,136 | 353,994 | 4,001,130 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,708,067 | 165,786 | 1,873,853 |
| Employer contributions subsequent to the measurement date | 3,906,270 | 370,495 | 4,276,765 |
| Total deferred outflows of resources | 18,133,262 | 1,577,664 | 19,710,926 |
| Deferred inflows of resources: | | | |
| Difference between expected and actual experience | 510,714 | 49,571 | 560,285 |
| Changes of assumptions | 1,187,300 | 115,240 | 1,302,540 |
| Changes in proportion | - | 21,472 | 21,472 |
| Total deferred inflows of resources | $ 1,698,014 | $ 186,283 | $ 1,884,297 |

## E. OPEB HEALTH INSURANCE CREDIT PROGRAM-TEACHERS

1. **BACKGROUND**

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. **PLAN DESCRIPTION**

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

| TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.<br><br>Eligible employees are enrolled automatically upon employment. They include:<br>● Full-time permanent (professional) salaried employees of public school divisions covered under VRS |
| **Benefit Amounts**<br>The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:<br>● **<u>At Retirement</u>** – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.<br>● **<u>Disability Retirement</u>** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<br>○ $4.00 per month, multiplied by twice the amount of service credit, or<br>○ $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. |
| **HIC Program Notes:**<br>● The monthly HIC benefit cannot exceed the individual premium amount.<br>● Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree. |

3. **CONTRIBUTIONS**

The contribution requirement for active employees is governed by §51.1-1401(E) 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. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from LCPS to the VRS Teacher Employee HIC Program were $8,793,743 and $8,415,034 for the years ended June 30, 2021 and June 30, 2020, respectively.

4. **TEACHER EMPLOYEE HIC PROGRAM OPEB LIABILITIES, EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS RELATED TO TEACHER EMPLOYEE HIC PROGRAM OPEB**

At June 30, 2021, LCPS reported a liability of $104,348,276 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. LCPS proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on LCPS actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, LCPS' proportion of the VRS Teacher Employee HIC Program was 7.9990% as compared to 7.4693% at June 30, 2019.

For the year ended June 30, 2021, LCPS recognized VRS Teacher Employee HIC Program OPEB expense of $10,984,557. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

*At June 30, 2021, LCPS reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:*

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ - | $ 1,393,526 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 462,429 | - |
| Changes in Assumptions | 2,062,818 | 570,128 |
| Changes in Proportion | 12,586,438 | - |
| Employer contributions subsequent to the measurement date | 8,784,168 | - |
| Total | $ 23,895,853 | $ 1,963,654 |

$8,784,168 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

*Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:*

| Year Ended June 30, | |
|---|---|
| 2022 | $ 2,439,108 |
| 2023 | 2,484,942 |
| 2024 | 2,469,584 |
| 2025 | 2,356,534 |
| 2026 | 1,882,677 |
| Thereafter | 1,515,186 |
| Total | $ 13,148,031 |

5. **ACTUARIAL ASSUMPTIONS**

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5 % |
| Salary increases, including inflation – | |
| Teacher Employees | 3.5 % – 5.95 % |
| Investment rate of return | 6.75%, net of plan investment expenses, 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities*.

Mortality rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 20220.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020 ; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 20220; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016 , except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2021** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

6. **NET TEACHER EMPLOYEE HIC OPEB LIABILITY**

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

| | Teacher Employee HIC OPEB Plan |
|---|---|
| Total Teacher Employee HIC OPEB Liability | $ 1,448,676 |
| Plan Fiduciary Net Position | 144,160 |
| Teacher Employee net HIC OPEB Liability | $ 1,304,516 |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 9.95% |

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

7. **LONG-TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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 | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Stragegies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

Inflation
* Expected arithmetic nominal return
* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%.The VRS Board elected a longterm rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

8. **DISCOUNT RATE**

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

9. **SENSITIVITY OF LCPS' PROPORTIONATE SHARE OF THE TEACHER EMPLOYEE HIC NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE**

*The following presents LCPS' proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what LCPS' proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:*

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| LCPS' net OPEB Liability | $116,807,016 | $104,348,276 | $93,759,250 |

10. **TEACHER EMPLOYEE HIC OPEB FIDUCIARY NET POSITION**

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report. A copy of the 2020 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) HIC PROGRAM – POLITICAL SUBDIVISION

1. **BACKGROUND**

The LCPS' Political Subdivision HIC Program is a multiple-employer, agent-defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision HIC Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program OPEB, and the Political Subdivision HIC Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision HIC Program; and the additions to/deductions from the VRS Political Subdivision HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. **PLAN DESCRIPTION**

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.<br><br>Eligible employees of participating are enrolled automatically upon employment. They include:<br><br>● Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. |
| **Benefit Amounts**<br><br>The political subdivision's Retiree HIC Program provides the following benefits for eligible employees:<br><br>● **<u>At Retirement</u>** – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.<br>● **<u>Disability Retirement</u>** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month. |
| **HIC Program Notes:**<br><br>● The monthly HIC benefit cannot exceed the individual premium amount.<br>● No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans.<br>● Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree. |

3. **EMPLOYEES COVERED BY BENEFIT TERMS**

*As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:*

| | Number |
|---|---|
| Inactive members or their beneficiaries | |
| Currently receiving benefits | 280 |
| Inactive members: | |
| Total inactive members | 280 |
| Active members | 1,945 |
| Total covered employees | 2,225 |

4. **CONTRIBUTIONS**

The contribution requirement for active employees is governed by §51.1-1402(E) 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. LCPS' contractually required employer contribution rate for the year ended June 30, 2021 was 0.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from LCPS to the Political Subdivision HIC Program were $132,027 and $129,117 for the years ended June 30, 2021 and June 30, 2020, respectively.

5. **NET HIC OPEB LIABILITY**

The LCPS' net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

6. **ACTUARIAL ASSUMPTIONS**

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation – | |
| Locality – General employees | 3.5 percent – 5.35 percent |
| Locality – Hazardous Duty employees | 3.5 percent – 4.75 percent |
| Investment rate of return | 6.75 Percent, net of investment exp., incl. 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.*

Mortality Rates – Largest ten locality employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
|---|---|
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

7. **LONG-TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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 | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a longterm rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

8. **DISCOUNT RATE**

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of turn was applied to all periods of projected benefit payments to determine the total HIC OPEB liability

9. **CHANGES IN NET POLITICAL SUBDIVISION HIC OPEB LIABILITY**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Political Subdivision HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net Political Subdivision HIC OPEB Liability (a) - (b) |
| Balances at June 30, 2019 | $ 2,426,343 | $ 1,812,675 | $ 613,668 |
| Changes for the year: | | | |
| Service cost | 68,131 | - | 68,131 |
| Interest | 159,417 | - | 159,417 |
| Benefit Changes | 48,577 | - | 48,577 |
| Difference between expected and actual experience | 8,201 | - | 8,201 |
| Contributions-employer | - | 129,062 | (129,062) |
| Net investment income | - | 36,025 | (36,025) |
| Benefit payments | (129,229) | (129,229) | - |
| Administrative expenses | - | (3,507) | 3,507 |
| Other changes | - | (16) | 16 |
| Net changes | 155,097 | 32,335 | 122,762 |
| Balances at June 30, 2020 | $ 2,581,440 | $ 1,845,010 | $ 736,430 |

10. **SENSITIVITY OF LCPS' HIC NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT**

*The following presents LCPS' HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what LCPS' net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:*

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| LCPS' net OPEB liability | $1,037,058 | $736,430 | $478,883 |

11. **LCPS' HIC PROGRAM OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

*For the year ended June 30, 2021, LCPS recognized HIC Program OPEB expense of 176,250. At June 30, 2021, LCPS reported deferred outflows of resources and deferred inflows of resources related to the LCPS HIC Program from the following sources*:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 49,747 | $ - |
| Net difference between projected and actual earnings on Political HIC OPEB plan investments | 61,120 | - |
| Changes in Assumptions | 43,767 | 24,239 |
| Changes in proportionate share | - | - |
| Employer contributions subsequent to the measurement date | 129,062 | - |
| Total | $ 283,696 | $ 24,239 |

$129,062 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2022.

*Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:*

| Year Ended June 30, | | |
|---|---|---|
| 2022 | $ | 18,833 |
| 2023 | | 31,667 |
| 2024 | | 34,620 |
| 2025 | | 37,352 |
| 2026 | | 7,582 |
| Thereafter | | 341 |
| Total | $ | 130,395 |

12. **HIC PROGRAM PLAN DATA**

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2020 Annual Comprehensive Financial Report. A copy of the 2020 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020 annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

13. **PLANS REPORTING**

The HIC Teacher and HIC Political Subdivision plans have been reported separately herein since each plan has different and distinct characteristics, reporting requirement and valuations.

*For purposes of aiding the reader to full understanding of the impact of the total OPEB requirements on the net position of LCPS, the following combining and allocation schedule is presented:*

| | VRS-Health Insurance Credit (HIC) | | |
|---|---|---|---|
| | Teachers | Political Subdivision | Combined Totals |
| Net OPEB liability | $104,348,276 | $736,430 | $105,084,706 |
| OPEB Expense | 10,984,557 | 176,250 | 11,160,807 |
| Deferred outflows of resources: | | | |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 12,586,438 | - | 12,586,438 |
| Net difference between projected and actual earnings on OPEB Plan Investments | 462,429 | 61,120 | 523,549 |
| Change of assumptions | 2,062,818 | 43,767 | 2,106,585 |
| Difference between expected and actual experience | - | 49,747 | 49,747 |
| Employer contributions subsequent to the measurement date | 8,784,168 | 129,062 | 8,913,230 |
| Total deferred outflows of resources | 23,895,853 | 283,696 | 24,179,549 |
| Deferred inflows of resources: | | | |
| Difference between expected and actual experience | 1,393,526 | - | 1,393,526 |
| Changes of assumptions | 570,128 | 24,239 | 594,367 |
| Total deferred inflows of resources | $1,963,654 | $24,239 | $1,987,893 |

## G. OPEB TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM

1. **BACKGROUND**

The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. **PLAN DESCRIPTION**

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>The Teacher Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid retirement benefits<br><br>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:<br><br>● Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS. |
| **Benefit Amounts**<br><br>The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:<br><br>**Short-Term Disability –**<br><br>● The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work- related short-term disability coverage after one year of continuous participation in VLDP with their current employer.<br>● During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work- related or work-related disability.<br>● Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.<br><br>**Long-Term Disability –**<br><br>● The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.<br>● Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit. |
| **VLDP Notes:**<br><br>● Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.<br>● VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services. |

3. **CONTRIBUTIONS**

The contribution requirement for active hybrid plan employees is governed by § 51.1-1178(C) 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. Each school division's contractually required employer contribution rate for the year ended June 30, 2021, was 0.47% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Virginia Local Disability Program were $1,098,186 and $840,390 for the years ended June 30, 2021 and June 30, 2020, respectively.

4. **TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) OPEB LIABILITIES, EXPENSE, AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

At June 30, 2021, LCPS reported a liability of $278,014 for its proportionate share of the VRS Teacher Employee VLDP Net OPEB Liability. The Net VRS Teacher Employee VLDP OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee VLDP OPEB liability used to calculate the Net VRS Teacher Employee VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. LCPS' proportion of the Net VRS Teacher Employee VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee VLDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, LCPS' proportion of the VRS Teacher Employee VLDP was 34.6531% as compared to 33.3122% at June 30, 2019.

For the year ended June 30, 2021, LCPS recognized VRS Teacher Employee VLDP OPEB expense of $759,106. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

*At June 30,2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee VLDP OPEB from the following sources:*

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments | $ 30,007 | $ - |
| Difference between expected and actual experience | 131,457 | 21,489 |
| Changes in Assumptions | 31,192 | - |
| Changes in Proportion | 20,678 | 1 |
| Employer contributions subsequent to the measurement date | 1,068,378 | - |
| Total | $ 1,281,712 | $ 21,490 |

$1,068,378 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from LCPS' contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

*Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:*

| Year Ended June 30, | |
|---|---|
| 2022 | $ 19,817 |
| 2023 | 19,126 |
| 2024 | 18,895 |
| 2025 | 19,224 |
| 2026 | 11,762 |
| Thereafter | 103,020 |
| Total | $ 191,844 |

5. **ACTUARIAL ASSUMPTIONS**

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee VLDP was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation – | |
| Teacher Employees | 3.5 percent – 5.95 percent |
| Investment rate of return | 6.75%, 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.*

Mortality rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 20210; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| Mortality Rates (Pre-retirement, post- retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

6. **NET TEACHER EMPLOYEE VLDP OPEB LIABILITY**

The net OPEB liability (NOL) for the Teacher Employee VLDP represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position.

*As of June 30, 2020, NOL amounts for the VRS Teacher Employee VLDP is as follows (amounts expressed in thousands):*

| | Teacher Employee VLDP OPEB Plan |
|---|---|
| Total Teacher Employee VLDP OPEB Liability | $ 3,687 |
| Plan Fiduciary Net Position | 2,886 |
| Teacher Employee net VLDP OPEB Liability | $ 801 |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability | 78.28% |

The total Teacher Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee VLDP OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

7. **LONG TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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 |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Provate Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%.Onc October 10,2019 The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent captial market assumptions compiled for the FY2020 actuaial valuations provide a median return of 6.81%*

8. **DISCOUNT RATE**

The discount rate used to measure the total Teacher Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB 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 Teacher Employee VLDP OPEB liability.

9. **SENSITIVITY OF LCPS' PROPORTIONATE SHARE OF THE TEACHER EMPLOYEE VLDP NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the school division's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| LCPS' net OPEB liability | $432,860 | $278,014 | $144,375 |

10. **TEACHER EMPLOYEE VLDP OPEB FIDUCIARY NET POSITION**

Detailed information about the VRS Teacher Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report. A copy of the 2020 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## H. OTHER POSTEMPLOYMENT BENEFITS (OPEB) POLITICAL SUBDIVISION EMPLOYEE VLDP

1. **BACKGROUND**

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. **PLAN DESCRIPTION**

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

**POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS**

**Eligible Employees**

The Political Subdivision Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

**Benefit Amounts**

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

**Short-Term Disability** –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work- related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

**Long-Term Disability** –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

**VLDP Notes:**

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

3. **CONTRIBUTIONS**

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30,2019. The actuarially determined rate 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 from the political subdivision to the VRS Political Subdivision Employee VLDP were $212,111 and $169,623 for the years ended June 30, 2021 and June 30, 2020, respectively.

4. **LCPS' EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) OPEB LIABILITIES AND DEFERRED OUTFLOWS DEFERRED INFLOWS**

At June 30, 2021, the LCPS reported a liability of $63,111 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2020, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 6.3222% as compared to 6.0196% at June 30, 2019.

For the year ended June 30, 2021, the political subdivision recognized VRS Political Subdivision Employee VLDP OPEB expense of $183,904. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

*At June 30, 2021, LCPS reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee VLDP OPEB from the following sources:*

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 51,129 | $ 74,085 |
| Net difference between projected and actual earnings on Political Subdivision VLDP OPEB plan investments | 6,704 | - |
| Changes in Assumptions | 2,921 | 4,214 |
| Changes in Proportion | 9,059 | - |
| Employer contributions subsequent to the measurement date | 210,751 | - |
| Total | $ 280,564 | $ 78,299 |

$210,751 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from LCPS' contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2022.

*Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LCPS' Employee VLDP OPEB will be recognized in LCPS' Employee VLDP OPEB expense in future reporting periods as follows:*

| Year Ended June 30, | |
|---|---|
| 2022 | $ 8,154 |
| 2023 | 8,028 |
| 2024 | 8,010 |
| 2025 | 6,688 |
| 2026 | (8,268) |
| Thereafter | (31,098) |
| Total | $ (8,486) |

5. **ACTUARIAL ASSUMPTIONS**

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee VLDP was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation – | |
| Political Subdivision Employees | 3.5% – 5.95% |
| Investment rate of return | 6.75%, 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.*

Mortality rates – Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| Mortality Rates (Pre-retirement, post- retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
|---|---|
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

6. **NET POLITICAL SUBDIVISION EMPLOYEE VLDP OPEB LIABILITY**

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

| | Political Subdivision Employee VLDP OPEB Plan |
|---|---|
| Total Political Subdivision Employee VLDP OPEB Liability | $ 4,317 |
| Plan Fiduciary Net Position | 3,317 |
| Political Subdivision Employee net VLDP OPEB Liability | $ 1,000 |
| Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability | 76.84% |

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GAAP, in the System's notes to the financial statements and required supplementary information.

7. **LONG-TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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 |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

8. **DISCOUNT RATE**

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

9. **SENSITIVITY OF LCPS' PROPORTIONATE SHARE OF THE POLITICAL SUBDIVISION EMPLOYEE VLDP NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| LCPS' net OPEB liability | $84,647 | $63,111 | $44,352 |

10. **POLITICAL SUBDIVISION EMPLOYEE VLDP OPEB FIDUCIARY NET POSITION**

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report. A copy of the 2020 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

11. **PLANS REPORTING**

The VLDP Teacher and VLDP Political Subdivision plans have been 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 OPEB requirements on the net position of LCPS, the following combining and allocation schedule is presented:*

| | VRS-Virginia Local Disability Plan (VLDP) | | |
|---|---|---|---|
| | **Teachers** | **Political Subdivision** | **Combined Totals** |
| Net OPEB liability | $ 278,014 | $ 63,111 | $ 341,125 |
| OPEB Expense | 759,106 | 183,904 | 943,010 |
| Deferred outflows of resources: | | | |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 20,678 | 9,059 | 29,737 |
| Net difference between projected and actual earnings on OPEB plan investments | 30,007 | 6,704 | 36,711 |
| Changes of assumptions | 31,192 | 2,921 | 34,113 |
| Difference between expected and actual experience | 131,457 | 51,129 | 182,586 |
| Employer contributions subsequent to the measurement date | 1,068,378 | 210,751 | 1,279,130 |
| Total deferred outflows of resources | 1,281,712 | 280,564 | 1,562,277 |
| Deferred inflows of resources: | | | |
| Difference between expected and actual experience | 21,489 | 74,085 | 95,574 |
| Changes of assumptions | - | 4,214 | 4,214 |
| Changes in proportion | 1 | - | 1 |
| Total deferred inflows of resources | $ 21,490 | $ 78,299 | $ 99,789 |

12. **OPEB PLANS REPORTING IN THE ENTIRETY**

The OPEB plans (LCPS OPEB Trust; VRS OPEB GLI, HIC and VLDP) have been 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 schedule is presented*

| | LCPS OPEB Trust | VRS OPEB GLI | HIC | VLDP | OPEB Combined Totals |
|---|---|---|---|---|---|
| Net OPEB liability | $166,972,990 | $ 62,380,433 | $105,084,706 | $ 341,125 | $334,779,254 |
| OPEB Expense | $ 34,061,067 | 4,028,045 | 11,160,807 | 943,010 | 16,131,862 |
| Deferred outflows of resources: | | | | | |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | - | 6,439,438 | 12,586,438 | 29,737 | 19,055,613 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 1,873,853 | 523,549 | 36,711 | 2,434,113 |
| Changes of assumptions | 71,730,308 | 3,119,740 | 2,106,585 | 34,113 | 76,990,746 |
| Difference between expected and actual experience | 47,891,580 | 4,001,130 | 49,747 | 182,586 | 52,125,043 |
| Employer contributions subsequent to the measurement date | - | 4,276,765 | 8,913,230 | 1,279,130 | 14,469,124 |
| Total deferred outflows of resources | 119,621,888 | 19,710,926 | 24,179,549 | 1,562,277 | 165,074,639 |
| Deferred inflows of resources: | | | | | |
| Difference between expected and actual experience | 39,974,838 | 560,285 | 1,393,526 | 95,574 | 42,024,223 |
| Net difference between projected and actual earnings on OPEB plan investments | 20,233,285 | - | - | - | 20,233,285 |
| Changes of assumptions | 8,432,028 | 1,302,540 | 594,367 | 4,214 | 10,333,149 |
| Changes in proportion | - | 21,472 | - | 1 | 21,473 |
| Total deferred inflows of resources | $ 68,640,151 | $ 1,884,297 | $ 1,987,893 | $ 99,789 | $ 72,612,130 |

## I. 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.

## J. PENSION PLANS

LCPS participates in two public employee pension plans, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (Political Subdivision). Both are administered by the VRS.

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, 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.

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's 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.

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

1. **PLAN DESCRIPTION-Professional Plan**

Name of Plan:

**Virginia Retirement System**

Identification of Plan:

**Teacher Employee Retirement Plan-Cost-Sharing Multi-Employer Pension Plan**

Administering Entity:

**Virginia Retirement System**

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria.

*The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:*

## RETIREMENT PLAN PROVISIONS-PROFESSIONAL PLAN

| PLAN 1 | PLAN 2 | PLAN 3 |
|---|---|---|
| **About Plan 1** | **About Plan 2** | **About the Hybrid Retirement Plan** |
| Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. | Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. | The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>● The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.<br>● 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.<br>● In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| **Eligible Members** | **Eligible Members** | **Eligible Members** |
| Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.<br>*Hybrid Opt-In Election*<br>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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan | Members 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.<br>*Hybrid Opt-In Election*<br>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.<br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan | Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>● School division employees<br>● 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 |

| | | |
|---|---|---|
| **Retirement Contributions** | **Retirement Contributions** | **Retirement Contributions** |
| Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. 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. | Same as Plan 1. | 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. |
| **Service Credit** | **Service Credit** | **Service Credit** |
| Service Credit 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 service credit the member was granted. A member's total service credit 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. | Same as Plan 1. | **Defined Benefit Component:**<br>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.<br>*Defined Contributions Component:*<br>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan. |

**Vesting**

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

**Vesting**

Same as Plan 1

**Vesting**

*Defined Benefit Component:*

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

*Defined Contributions Component:*

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

| | | |
|---|---|---|
| **Calculating the Benefit** | **Calculating the Benefit** | **Calculating the Benefit** |
| The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied. | See definition under Plan 1 | *Defined Benefit Component:*<br>See definition under Plan 1<br>*Defined Contribution Component:*<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation** | **Average Final Compensation** | **Average Final Compensation** |
| A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier** | **Service Retirement Multiplier** | **Service Retirement Multiplier** |
| The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70% | Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. | *Defined Benefit Component:*<br>The retirement multiplier for the defined benefit component is 1.00%.<br>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.<br>*Defined Contribution Component:*<br>Not applicable. |
| **Normal Retirement Age** | **Normal Retirement Age** | **Normal Retirement Age** |
| Age 65. | Normal Social Security retirement age. | *Defined Benefit Component:*<br>Same as Plan 2.<br>*Defined Contribution Component:*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility** | **Earliest Unreduced Retirement Eligibility** | **Earliest Unreduced Retirement Eligibility** |
| Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. | Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. | *Defined Benefit Component:*<br>Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.<br>*Defined Contribution Component:*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

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

- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**Disability Coverage**

For 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.

**Disability Coverage**

For 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.

**Disability Coverage**

Employees of school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

**Purchase of Prior Service**

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

**Purchase of Prior Service**

Same as Plan 1.

**Purchase of Prior Service**

Defined Benefit Component: Same as Plan 1, with the following exception:

- Hybrid Retirement Plan members are ineligible for posted service.

Defined Contribution Component:

Not Applicable

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. Each school division's contractually required employer contribution rate for the year ended June 30, 2021, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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. Contributions to the pension plan from LCPS were $120,778,008 and $109,943,889 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, LCPS reported a liability of $1,159,377,165 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. LCPS' proportion of the Net Pension Liability was based on LCPS actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020 LCPS' proportion was 7.96679% as compared to 7.44121% at June 30, 2019.

For the year ended June 30, 2021, LCPS recognized pension expense of $172,610,427. 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, 2021, 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 | $ - | $ 67,957,373 |
| Net difference between projected and actual earnings on pension plan investments | 88,183,474 | - |
| Changes of assumptions | 79,142,031 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 108,512,748 | - |
| Employer contributions subsequent to the measurement date | 119,918,658 | - |
| Total | $ 395,756,911 | $ 67,957,373 |

$119,918,658 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, 2022.

*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 |
|---|---|
| 2022 | $ 36,555,265 |
| 2023 | 61,124,705 |
| 2024 | 62,675,861 |
| 2025 | 46,007,655 |
| 2026 | 1,517,394 |
| Total | $ 207,880,880 |

c. **Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including Inflation | 3.5% – 5.95% |
| Investment rate of return | 6.75%, 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Mortality Rates:

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Table Projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):*

| | **Teacher Employee Retirement Plan** |
|---|---|
| Total Pension Liability | $ 51,001,855 |
| Plan Fiduciary Net Position | 36,449,229 |
| Employers' Net Pension Liability | $ 14,552,626 |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability | 71.47% |

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:

| **Asset Class (Strategy) Allocation** | **Target Allocation** | **Arithmetic Long-Term Expected Rate of Return** | **Weighted Average Long-Term Expected Rate of Return** |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

f. **Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. 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, 2020, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, school divisions are assumed to continue 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. **Sensitivity of the LCPS proportionate share 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:*

| | **1% Decrease (5.75%)** | **Current Discount Rate (6.75%)** | **1% Increase (7.75%)** |
|---|---|---|---|
| LCPS' net pension liability | $1,701,066,684 | $1,159,377,165 | $711,311,454 |

h. **Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report. A copy of the 2020 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-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-Political Subdivision Plan**

Name of Plan:

**Virginia Retirement System**

Identification of Plan:

**Political Subdivision Plan- Multi-Employer-Agent Plan**

Administering Entity:

**Virginia Retirement System**

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

# RETIREMENT PLAN PROVISIONS-POLITICAL SUBDIVISION

## PLAN 1

### About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

### Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

### Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

## PLAN 2

### About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

### Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 2010, and they were not vested as of January 1, 2013, and they have not taken a refund.

### Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

## PLAN 3

### About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

### Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

### *Non-Eligible Members

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.

**Service Credit**

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

**Retirement Contributions**

Same as Plan 1.

**Service Credit**

Same as Plan 1.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

**Retirement Contributions**

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.

**Service Credit**

*Defined Benefit Component:*

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

| | | |
|---|---|---|
| | | *Defined Contributions Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan. |
| **Vesting** | **Vesting** | **Vesting** |
| Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. 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.<br><br>Members are always 100% vested in the contributions that they make. | Same as Plan 1. | *Defined Benefit Component:*<br><br>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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.<br><br>*Defined Contributions Component:*<br><br>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.<br><br>Members are always 100% vested in the contributions that they make.<br><br>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distributions not required, except as governed by law |

| | | |
|---|---|---|
| **Calculating the Benefit** | **Calculating the Benefit** | **Calculating the Benefit** *Defined Benefit Component:* |
| The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied | See definition under Plan 1. | See definition under Plan 1.<br><br>*Defined Contribution Component:*<br><br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contribution. |
| **Average Final Compensation** | **Average Final Compensation** | **Average Final Compensation** |
| A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. | **Service Retirement Multiplier VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. | **Service Retirement Multiplier**_*Defined Benefit Component:* **VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. |
| **Sheriffs and regional jail superintendents:** | **Sheriffs and regional jail superintendents:** | **Sheriffs and regional jail superintendents:** |
| The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. | Same as Plan 1 | Not applicable. |
| **Political subdivision hazardous duty employees:** | **Political subdivision hazardous duty employees:** | **Political subdivision hazardous duty employees:** |
| The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | Same as Plan 1. | Not applicable.<br><br>*Defined Contribution Component:*<br><br>Not applicable. |

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

| | | |
|---|---|---|
| *Eligibility:* | *Eligibility:* | *Eligibility:* |
| For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.<br><br>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date | Same as Plan 1 | Same as Plan 1 and Plan 2 |
| *Exceptions to COLA Effective Dates:* | *Exceptions to COLA Effective Dates:* | *Exceptions to COLA Effective Dates:* |
| ● The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>● The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>● The member retires on disability.<br>● The member retires directly from short-term or long-term disability.<br>● 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.<br>● The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.<br>● 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. | Same as Plan 1 | Same as Plan 1 and Plan 2. |

**Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

**Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

**Disability Coverage**

Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work-related disability benefits.

**Purchase of Prior Service**

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

**Purchase of Prior Service**

Same as Plan 1.

**Purchase of Prior Service** *Defined Benefit Component*

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

*Defined Contribution Component:*

Not applicable.

a. **Employees Covered by Benefit Terms**

*As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:*

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 794 |
| Inactive members: | |
| Vested inactive members | 195 |
| Non-vested inactive members | 627 |
| LTD | 3 |
| Inactive members active elsewhere in VRS | 262 |
| Total inactive members | 1,087 |
| Active members | 1,945 |
| Total covered employees | 3,826 |

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. LCPS' contractually required contribution rate for the year ended June 30, 2021 was 6.89% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 $4,787,825 and 3,893,906 for the years ended June 30, 2021 and June 30, 2020, respectively.

c. **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. For LCPS, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

d. **Actuarial Assumptions – General Employees**

The total pension liability for General Employees in LCPS' pension plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation – | |
| Political Subdivision Employees | 3.5% – 5.35% |
| Investment rate of return | 6.75% percent, net of plan investment expenses, 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities*

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related.

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates Projected with scale BB to 2020; males set forward 2 years, 110% or rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| Mortality Rates (Pre-retirement, post- retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

e. **Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a lognormal 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 | Long-term Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 7.14% |

* The above allocation provides a one-year return of 7.14%. However, one-year returns do take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results proved a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

f. **Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

g. **Changes in Net Pension Liability**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2019 | $ 174,915,125 | $ 160,640,607 | $ 14,274,518 |
| Changes for the year: | | | |
| Service cost | 5,625,101 | - | 5,625,101 |
| Interest | 11,568,079 | - | 11,568,079 |
| Difference between expected and actual experience | 4,094,215 | - | 4,094,215 |
| Contributions-employer | - | 3,497,885 | (3,497,885) |
| Contributions-employee | - | 3,184,680 | (3,184,680) |
| Net investment income | - | 3,060,374 | (3,060,374) |
| Benefit payments, including refunds of employee contributions | (7,072,355) | (7,072,355) | - |
| Refunds of employee contributions | | | |
| Administrative expenses | - | (102,475) | 102,475 |
| Other changes | - | (3,679) | 3,679 |
| Net changes | 14,215,040 | 2,564,430 | 11,650,610 |
| Balances at June 30, 2020 | $ 189,130,165 | $ 163,205,037 | $ 25,925,128 |

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

*The following presents the net pension liability of LCPS using the discount rate of 6.75%, as well as what LCPS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:*

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| LCPS' net pension liability | $50,185,084 | $25,925,128 | $5,824,134 |

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

*For the year ended June 30, 2021, LCPS recognized pension expense of $8,407,489. At June 30, 2021, 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 |
|---|---|---|
| Differences between expected and actual experience | $ 5,759,449 | $ 459 |
| Net difference between projected and actual earnings on pension plan investments | 4,942,638 | - |
| Change in assumptions | 2,555,524 | 25,677 |
| Employer contributions subsequent to the measurement date | 4,684,494 | - |
| Total | $ 17,942,105 | $ 26,136 |

Contributions of $4,684,494 made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022.

*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 |
|---|---|
| 2022 | $ 4,236,610 |
| 2023 | 5,065,635 |
| 2024 | 2,376,005 |
| 2025 | 1,553,225 |
| Total | $ 13,231,475 |

j. **Net Pension Liability**

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Annual Financial Report. A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500

3. **PLANS REPORTING**

The VRS Professional plan and the VRS Political Subdivision 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 | | |
|---|---|---|---|
| | Professional Plan | Non-Professional Plan | Combined Totals |
| Net pension liability | $ 1,159,377,165 | $ 25,925,128 | $ 1,185,302,293 |
| Pension Expense | 172,610,427 | 8,407,489 | 181,017,916 |
| Deferred outflows of resources: | | | |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 108,512,748 | - | 108,512,748 |
| Net difference between projected and actual earnings on pension plan investments | 88,183,474 | 4,942,638 | 93,126,112 |
| Difference between expected and actual experience | - | 5,759,449 | 5,759,449 |
| Changes of assumptions | 79,142,031 | 2,555,524 | 81,697,555 |
| Employer contributions subsequent to the measurement date | 119,918,658 | 4,684,494 | 124,603,151 |
| Total deferred outflows of resources | 395,756,911 | 17,942,105 | 413,699,015 |
| Deferred inflows of resources: | | | |
| Difference between expected and actual experience | 67,957,373 | 459 | 67,957,832 |
| Net difference between projected and actual earnings on pension plan investments | - | - | - |
| Changes of assumptions | - | 25,677 | 25,677 |
| Total deferred inflows of resources | $ 67,957,373 | $ 26,136 | $ 67,983,509 |

K. **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 except for 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.

### L. RESTATEMENT OF NET POSITION

LCPS restated fund balance and net position as of the beginning of the fiscal year for the implementation of GASB 84 relating to School Activity Funds, Fiduciary Activities.

| Description | Nonmajor Governmental Funds | Middleburg Community Charter School |
|---|---|---|
| Fund Balance as reported June 30, 2020 | $ 27,442,716 | $ 277,583 |
| Prior period adjustment - Implementation of GASB 84 | | |
| School Activity Funds included in non-major governmental funds; | | |
| in prior years, reported as an Agency fund | 8,590,501 | 10,557 |
| Fund Balance as restated June 30, 2020 | $ 36,033,217 | $ 288,140 |

| Description | Governmental Activities | Middleburg Community Charter School |
|---|---|---|
| Net Position as reported June 30, 2020 | $ 1,157,151,047 | $ 241,548 |
| Prior period adjustment - Implementation of GASB 84 | | |
| School Activity Funds included in non-major governmental funds; | | |
| in prior years, reported as an Agency fund | 8,590,501 | 10,557 |
| Net Position as restated June 30, 2020 | $ 1,165,741,548 | $ 252,105 |

### M. FUND DISSOLUTION

LCPS had a non-operating loss of $1,870,523 relating to the dissolution of the Central Service Fund, Proprietary Fund, as of December 31, 2020.

The operations of the Central Service Fund are accounted for in the General Fund as of January 1, 2021. The non-operating loss resulted from the elimination of assets, liabilities, and deferred outflows and inflows reported in this fund that closed. The following comprise the net non-operating loss reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position for the year ended June 30, 2021.

| | |
|---|---|
| Capital Assets, net of accumulated depreciation | $ (3,024,294) |
| Deferred outflows related to other postemployment benefits | (486,069) |
| Deferred outflows related to pension | (949,254) |
| | |
| Compensated absences | 313,987 |
| Net other postemployment benefits liability | 1,023,351 |
| Net pension liability | 977,804 |
| Deferred inflows related to other postemployment benefits | 35,101 |
| Deferred inflows related to pension | 238,851 |
| | |
| Total net non-operating loss | $ (1,870,523) |

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# Required Supplementary Information


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.

Schedules that are required concerning LCPS' pensions and other postemployment benefits.

Trend data for pensions and other postemployment benefits.

The notes to the required supplementary information are also included.

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XII**

### Budgetary Comparison Schedule - Budget and Actual
### General Fund
#### For the Fiscal Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Federal government | $ 362,436 | $ 31,960,551 | $ 15,653,053 | $ (16,307,498) |
| Commonwealth of Virginia | 400,774,605 | 400,774,605 | 406,494,342 | 5,719,737 |
| County of Loudoun, Virginia | 885,714,899 | 927,714,899 | 912,225,228 | (15,489,671) |
| Charges for services: | | | | |
| Tuition and fees | 3,390,000 | 3,390,000 | 2,359,797 | (1,030,203) |
| Revenue from the use of money and property | 1,858,333 | 1,858,333 | 433,979 | (1,424,354) |
| Recovered costs | 3,715,000 | 3,715,000 | 7,070,742 | 3,355,742 |
| Other | 1,974,333 | 1,974,333 | 1,929,899 | (44,434) |
| Total revenues | 1,297,789,606 | 1,371,387,721 | 1,346,167,040 | (25,220,681) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 808,905,998 | 843,378,405 | 806,554,535 | 36,823,870 |
| Special | 230,743,560 | 239,494,956 | 225,731,377 | 13,763,579 |
| Adult education | 769,809 | 812,379 | 456,111 | 356,268 |
| Other | 3,832,209 | 4,522,941 | 4,076,944 | 445,997 |
| Support services: | | | | |
| Administration | 32,498,006 | 34,863,294 | 31,130,912 | 3,732,382 |
| Attendance and health | 12,808,841 | 16,529,667 | 28,455,101 | (11,925,434) |
| Pupil transportation | 64,683,604 | 58,952,408 | 54,253,537 | 4,698,871 |
| Facilities services | 5,809,085 | 13,869,622 | 6,652,455 | 7,217,167 |
| Operation and maintenance | 101,960,216 | 113,523,439 | 97,417,609 | 16,105,830 |
| School nutrition services | 374,062 | 737,241 | 416,042 | 321,199 |
| Technology | 47,030,816 | 70,260,095 | 56,390,125 | 13,869,970 |
| Capital outlay | 373,400 | 7,020,581 | 5,845,323 | 1,175,258 |
| Total expenditures | 1,309,789,606 | 1,403,965,028 | 1,317,380,071 | 86,584,957 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers Out | - | - | (980,011) | 980,011 |
| Total other financing sources | - | - | (980,011) | 980,011 |
| Net change in fund balances | (12,000,000) | (32,577,307) | 27,806,958 | 60,384,265 |
| Fund balances at beginning of year | 48,216,773 | 48,216,773 | 48,216,773 | - |
| Fund balances at end of year | $ 36,216,773 | $ 15,639,466 | $ 76,023,731 | $ 60,384,265 |

See accompanying notes to the required supplementary information

LCPS received all monies appropriated from the County of Loudoun.
The Revenue variance of $(15,489,671) represents the
return of the prior year unassigned fund balance to the County of Loudoun.
See accompanying notes to the financial statements.

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XIII**

### Schedule of Employer's Proportionate Share of the Net Pension Liability and Related Ratios
### Virginia Retirement System-Pension-Professional Plan
**For the Fiscal Year Ended June 30, 2021***

| Fiscal Year | Employer's Proportion of the Net Pension Liability | Employer's Proportionate Share of the Net Pension Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 7.96679% | $ 1,159,377,165 | $ 701,172,761 | 165.35% | 71.47% |
| 2020 | 7.44121% | 979,305,522 | 626,445,257 | 156.33% | 73.51% |
| 2019 | 7.16702% | 842,841,000 | 580,077,082 | 145.30% | 74.81% |
| 2018 | 6.85549% | 843,087,000 | 542,902,050 | 155.29% | 72.92% |
| 2017 | 6.61724% | 927,348,000 | 507,489,598 | 182.73% | 68.28% |
| 2016 | 6.37430% | 802,292,000 | 473,788,018 | 169.34% | 70.68% |
| 2015 | 6.15461% | 743,824,733 | 468,435,000 | 158.79% | 70.88% |

See accompanying notes to the required supplementary information

*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.*

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XIV**

### Schedule of Changes in Employer's Net Pension Liability and Related Ratios
### Virginia Retirement System-Pension-Political Subdivision Plan
For the Fiscal Year Ended June 30, 2021*

| **TOTAL PENSION LIABILITY** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|---|---|
| Service cost | $ 5,228,000 | $ 5,258,000 | $ 5,209,000 | $ 5,032,000 | $ 5,330,056 | $ 5,625,101 |
| Interest | 8,227,000 | 8,778,000 | 9,459,000 | 9,946,000 | 10,573,312 | 11,568,079 |
| Difference between expected and actual experience | (902,000) | 905,000 | (37,000) | 29,000 | 5,812,334 | 4,094,215 |
| Changes of assumptions | - | - | (2,080,000) | - | 5,348,446 | - |
| Benefit payments, including refunds of employee contributions | (4,410,000) | (4,947,000) | (5,490,000) | (5,692,000) | (6,392,665) | (7,072,355) |
| Net change in total pension liability | 8,143,000 | 9,994,000 | 7,061,000 | 9,315,000 | 20,671,483 | 14,215,040 |
| Total pension liability, beginning of year | 119,731,000 | 127,874,000 | 137,868,000 | 144,929,000 | 154,243,642 | 174,915,125 |
| Total pension liability, end of year (a) | $127,874,000 | $137,868,000 | $144,929,000 | $154,244,000 | $174,915,125 | $189,130,165 |
| **PLAN FIDUCIARY NET POSITION** | | | | | | |
| Contributions-employer | $ 3,637,000 | $ 3,731,000 | $ 3,079,000 | $ 3,287,000 | $ 3,387,225 | $ 3,497,885 |
| Contributions-employee | 2,527,000 | 2,587,000 | 2,624,000 | 2,796,000 | 3,010,797 | 3,184,680 |
| Net investment income | 5,276,000 | 2,186,000 | 15,251,000 | 10,355,000 | 10,117,648 | 3,060,374 |
| Benefit payments, including refunds of employee contributions | (4,410,000) | (4,947,000) | (5,490,000) | (5,692,000) | (6,392,665) | (7,072,355) |
| Administrative expense | (69,000) | (73,000) | (86,000) | (87,000) | (96,958) | (102,475) |
| Other | (2,000) | (1,000) | (13,000) | (9,000) | (6,411) | (3,679) |
| Net change in plan fiduciary net position | 6,959,000 | 3,483,000 | 15,365,000 | 10,650,000 | 10,019,636 | 2,564,430 |
| Plan fiduciary net position, beginning | 114,164,000 | 121,123,000 | 124,606,000 | 139,971,000 | 150,620,971 | 160,640,607 |
| Plan fiduciary net position, ending (b) | $121,123,000 | $124,606,000 | $139,971,000 | $150,621,000 | $160,640,607 | $163,205,037 |
| Net pension liability, ending (a)-(b) | $ 6,751,000 | $ 13,262,000 | $ 4,958,000 | $ 3,623,000 | $ 14,274,518 | $ 25,925,128 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 94.72% | 90.38% | 96.58% | 97.65% | 91.84% | 86.29% |
| **Covered payroll** | $ 50,973,799 | $ 53,004,200 | $ 53,665,362 | $ 57,768,804 | $ 63,808,087 | $ 67,956,479 |
| **Net pension liability as a percentage of covered payroll** | 13.24% | 25.02% | 9.24% | 6.27% | 22.37% | 38.15% |

See accompanying notes to the required supplementary information

*The rounded 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.*

## LOUDOUN COUNTY PUBLIC SCHOOLS
### Schedule of Employer Contributions
### Virginia Retirement System-Pension
For the Fiscal Year Ended June 30, 2021

**Exhibit XV**

| Professional Plan | Date | Contractually Required Contribution | Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | 2021 | $ 120,778,008 | $ 120,778,008 | $ - | $ 726,702,816 | 16.62% |
| | 2020 | 109,943,889 | 109,943,889 | - | 701,172,761 | 15.68% |
| | 2019 | 98,226,616 | 98,226,616 | - | 626,445,257 | 15.68% |
| | 2018 | 82,475,000 | 82,475,000 | - | 580,077,082 | 14.22% |
| | 2017 | 78,001,000 | 78,001,000 | - | 542,902,050 | 14.37% |
| | 2016 | 70,276,318 | 70,276,318 | - | 507,489,598 | 13.85% |
| | 2015 | 68,243,888 | 68,243,888 | - | 473,788,018 | 14.40% |
| **Non-Professional Plan** | | | | | | |
| | 2021 | $ 4,787,825 | $ 4,787,825 | $ - | $ 69,489,477 | 6.89% |
| | 2020 | 3,893,906 | 3,893,906 | - | 67,956,479 | 5.73% |
| | 2019 | 3,656,203 | 3,656,203 | - | 63,808,087 | 5.73% |
| | 2018 | 3,252,000 | 3,252,000 | - | 57,768,804 | 5.63% |
| | 2017 | 3,088,000 | 3,088,000 | - | 53,665,362 | 5.75% |
| | 2016 | 3,739,163 | 3,739,163 | - | 53,004,200 | 7.05% |
| | 2015 | 3,643,729 | 3,643,729 | - | 50,973,799 | 7.15% |

See accompanying notes to the required supplementary information

*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.*

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XVI**

## Schedule of Changes in the Net OPEB Liability and Related Ratios with Investment Returns
## LCPS OPEB Trust*
### For the Fiscal Year Ended June 30, 2021

| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **TOTAL OPEB LIABILITY** | | | | |
| Service cost | $ 7,710,000 | $ 5,783,010 | $ 5,580,255 | $ 12,498,442 |
| Interest | 18,800,379 | 17,077,102 | 17,614,339 | 26,997,794 |
| Changes of benefit terms | (2,102,019) | - | - | - |
| Difference between expected and actual experience | 13,574,790 | 4,481,330 | 48,770,039 | (46,637,314) |
| Changes of assumptions | (3,470,322) | - | 94,538,038 | (7,502,400) |
| Benefit payments | (15,724,264) | (17,098,396) | (19,271,094) | (15,007,398) |
| Net change in total OPEB liability | 18,788,564 | 10,243,046 | 147,231,574 | (29,650,876) |
| Total OPEB liability, beginning of year | 268,596,000 | 287,384,564 | 297,627,610 | 444,859,184 |
| Total OPEB liability, end of year (a) | $287,384,564 | $297,627,610 | $444,859,184 | $415,208,308 |
| **PLAN FIDUCIARY NET POSITION** | | | | |
| Contributions-employer | $ 27,724,264 | $ 27,098,396 | $ 29,271,094 | $ 25,007,398 |
| Net investment income | 7,611,010 | 9,119,738 | 7,584,631 | 41,104,933 |
| Benefit payments | (15,724,264) | (17,098,396) | (19,271,094) | (15,007,398) |
| Administrative expense | - | - | - | - |
| Other | - | - | - | - |
| Net change in plan fiduciary net position | 19,611,010 | 19,119,738 | 17,584,631 | 51,104,933 |
| Plan fiduciary net position, beginning | 140,815,006 | 160,426,016 | 179,545,754 | 197,130,385 |
| Plan fiduciary net position, ending (b) | $160,426,016 | $179,545,754 | $197,130,385 | $248,235,318 |
| Net OPEB Liability-OPEB Trust (ending) (a)-(b) | $126,958,548 | $118,081,856 | $247,728,799 | $166,972,990 |
| **Plan Fiduciary Net position as a percentage of the Total OPEB liability** | 55.82% | 60.33% | 44.31% | 59.79% |
| **Covered-employee payroll (1)** | $460,995,350 | $468,583,742 | $453,623,652 | $398,195,610 |
| **Net OPEB liability as a percentage of covered-employee payroll** | 27.54% | 25.20% | 54.61% | 41.93% |

(1) 2017 covered payroll was projected from the July 1, 2015 covered payroll using the assumed payroll growth rate of 3.0%. The 2018 covered payroll decreased due to excluding payroll from actives hired on or after July 1, 2013, who are ineligible for retiree benefits.

(2) Totals may not foot due to rounding

### Investment Return Schedule

| | Fiscal Year Ending June 30 2018 | Fiscal Year Ending June 30 2019 | Fiscal Year Ending June 30 2020 | Fiscal Year Ending June 30 2021 |
|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 5.18% | 5.51% | 4.11% | 20.34% |

See accompanying notes to the required supplementary information

*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.

*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.*

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XVII**

### Schedule of Employer Contributions
### LCPS OPEB Trust*
**For the Fiscal Year Ended June 30, 2021**

| OPEB Trust | Actuarial Valuation Date | Fiscal Year | Employer Annual Contribution |
|---|---|---|---|
| | 6/30/2020 | 6/30/2021 | 25,007,398 |
| | 6/30/2019 | 6/30/2020 | 29,271,094 |
| | 7/1/2017 | 6/30/2019 | 27,098,396 |
| | 7/1/2017 | 6/30/2018 | 27,724,264 |
| | 7/1/2015 | 6/30/2017 | 26,321,831 |
| | 7/1/2014 | 6/30/2016 | 24,740,087 |
| | 7/1/2013 | 6/30/2015 | 23,266,040 |
| | 7/1/2012 | 6/30/2014 | 17,668,922 |
| | 7/1/2011 | 6/30/2013 | 23,218,531 |
| | 7/1/2009 | 6/30/2012 | 19,647,113 |

*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, | Actuarially Determined Contributions [1] | Contributions Made in Relation to the Actuarially Determined Contributions | Contributions Deficiency (Excess) | Covered Payroll [2] | Contributions as a Percentage of Payroll |
|---|---|---|---|---|---|
| 2021 | N/A | $ 25,007,398 | N/A | $ 398,195,610 | 6.28% |
| 2020 | N/A | 29,271,094 | N/A | 453,623,652 | 6.45% |
| 2019 | N/A | 27,098,396 | N/A | 468,583,742 | 5.78% |
| 2018 | N/A | 27,724,264 | N/A | 460,995,350 | 6.01% |
| 2017 | N/A | 26,321,831 | N/A | 522,745,000 | 5.04% |

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal, Level Percentage of Payroll |
| Asset Valuation Method | Market Value of Assets. |
| Inflation | 2.50% |
| Salary Increases | Varies by service |
| Discount Rate | 6.00% |
| Healthcare cost trend rates | |
| Non-Medicare Medical and Prescription Drug | 6.80% graded to 4.50% over 12 years |
| Medicare Medical and Prescription Drug | 6.00% graded to 4.50% over 10 years |
| Dental | 4.00% |
| Vision | 3.00% |
| Mortality rates: | |
| Healthy | Approximate 2006 table based on Headcount-Weighted RP-2014 Combined Healthy Annuitant, projected generationally with Scale MP-2020 from 2006 |
| Disabled | Approximate 2006 table based on Headcount-Weighted RP-2014 Disabled Retiree, projected generationally with Scale MP-2020 from 2006 |

See accompanying notes to the required supplementary information

(1) GASB 75 was effective for employer fiscal years beginning after June 15, 2017. LCPS has no policy to determine contributions to the OPEB Trust, therefore, no actuarially determined contributions are presented.

(2) June 30, 2017 covered payroll was projected from the July 1, 2015 covered payroll using the assumed payroll growth rate of 3.0% The decrease in covered employee payroll for June 30, 2018 is due to excluding payroll from active employees hired on or after July 1, 2013, who are ineligible for retiree benefits.

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

*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.*

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XVIII**

## Schedule of Employer's Share of Net OPEB Liability
## Virginia Retirement System-Group Life Insurance (GLI)
### For the Fiscal Year Ended June 30, 2021*

| GLI-Teachers | Date | Employer's Proportion of the Net OPEB Liability | Employer's Proportionate Share of the Net OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|---|
| ` | 2021 | 3.41% | $ 56,861,425 | $ 701,223,596 | 8.11% | 52.64% |
| | 2020 | 3.20% | 51,999,615 | 626,427,691 | 8.30% | 52.00% |
| | 2019 | 3.06% | 46,412,000 | 581,094,062 | 7.99% | 51.22% |
| | 2018 | 2.94% | 44,272,000 | 542,661,496 | 8.16% | 48.86% |
| **GLI-Political Subdivision** | | | | | | |
| | 2021 | 0.33% | $ 5,519,008 | $ 68,062,132 | 8.11% | 52.64% |
| | 2020 | 0.32% | 5,298,866 | 63,833,514 | 8.30% | 52.00% |
| | 2019 | 0.30% | 4,622,000 | 57,864,717 | 7.99% | 51.22% |
| | 2018 | 0.29% | 4,384,000 | 53,727,081 | 8.16% | 48.86% |

See accompanying notes to the required supplementary information

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

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.*

# LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XIX

## Schedule of Employer Contributions
## Virginia Retirement System-Group Life Insurance (GLI)
### For the Fiscal Year Ended June 30, 2021

| GLI-Teachers | Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | 2021 | $ 3,924,852 | $ 3,924,852 | $ - | 726,824,504 | 0.54% |
| | 2020 | 3,646,363 | 3,646,363 | - | 701,223,596 | 0.52% |
| | 2019 | 3,257,424 | 3,257,424 | - | 626,427,691 | 0.52% |
| | 2018 | 3,021,689 | 3,021,689 | - | 581,094,062 | 0.52% |
| | 2017 | 2,821,840 | 2,821,840 | - | 542,661,496 | 0.52% |
| | 2016 | 2,433,288 | 2,433,288 | - | 506,935,062 | 0.48% |
| | 2015 | 2,290,175 | 2,290,175 | - | 477,119,855 | 0.48% |
| | 2014 | 2,171,127 | 2,171,127 | - | 452,318,042 | 0.48% |
| | 2013 | 2,066,435 | 2,066,435 | - | 430,507,380 | 0.48% |
| | 2012 | 1,145,266 | 1,145,266 | - | 409,023,724 | 0.28% |
| **GLI-Political Subdivision** | | | | | | |
| | 2021 | $ 375,749 | $ 375,749 | $ - | 68,583,180 | 0.55% |
| | 2020 | 353,923 | 353,923 | - | 68,062,132 | 0.52% |
| | 2019 | 331,934 | 331,934 | - | 63,833,514 | 0.52% |
| | 2018 | 300,897 | 300,897 | - | 57,864,717 | 0.52% |
| | 2017 | 279,381 | 279,381 | - | 53,727,081 | 0.52% |
| | 2016 | 254,042 | 254,042 | - | 52,925,461 | 0.48% |
| | 2015 | 245,623 | 245,623 | - | 51,171,372 | 0.48% |
| | 2014 | 240,217 | 240,217 | - | 50,045,215 | 0.48% |
| | 2013 | 240,335 | 240,335 | - | 50,069,822 | 0.48% |
| | 2012 | 137,881 | 137,881 | - | 49,243,259 | 0.28% |

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XX**

## Schedule of Employer's Share of Net OPEB Liability
## Virginia Retirement System-Health Insurance Credit (HIC)-Teachers
### For the Fiscal Year Ended June 30, 2021*

| Date | Employer's Proportion of the Net OPEB Liability | Employer's Proportionate Share of the Net OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|
| 2021 | 8.00% | $ 104,348,276 | $ 701,252,844 | 14.88% | 9.95% |
| 2020 | 7.47% | 97,780,663 | 626,502,557 | 15.61% | 8.97% |
| 2019 | 7.18% | 91,209,000 | 580,972,292 | 15.70% | 8.08% |
| 2018 | 6.87% | 87,145,000 | 542,126,406 | 16.07% | 7.04% |

See accompanying notes to the required supplementary information

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

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.*

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XXI**

### Schedule of Changes in the Net OPEB Liability and Related Ratios with Investment Returns
### Virginia Retirement System-Health Insurance Credit (HIC) - Political Subdivision
**For the Fiscal Year Ended June 30, 2021***

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **TOTAL HIC OPEB LIABILITY** | | | |
| Service Cost | $ 62,353 | $ 63,900 | $ 68,131 |
| Interest | 143,395 | 151,076 | 159,417 |
| Changes in benefit terms | - | - | 48,577 |
| Difference between expected and actual experience | 23,315 | 44,121 | 8,201 |
| Changes in assumptions | - | 63,797 | - |
| Benefit Payments | (129,029) | (109,555) | (129,229) |
| Net change in total HIC OPEB Liability | 100,034 | 213,339 | 155,097 |
| Total HIC OPEB liability - beginning | 2,113,008 | 2,213,004 | 2,426,343 |
| Total HIC OPEB liability - ending (a) | $ 2,213,042 | $ 2,426,343 | $ 2,581,440 |
| **PLAN FIDUCIARY NET POSITION** | | | |
| Contributions - employer | $ 116,631 | $ 121,225 | $ 129,062 |
| Net Investment income | 111,147 | 109,411 | 36,025 |
| Benefit Payments | (129,029) | (109,555) | (129,229) |
| Administrative Expense | (2,664) | (2,394) | (3,507) |
| Other | (8,051) | (129) | (16) |
| Net change in plan fiduciary net position | 88,034 | 118,558 | 32,335 |
| Plan fiduciary net position - beginning | 1,603,988 | 1,694,117 | 1,812,675 |
| Plan fiduciary net position - ending (b) | $ 1,692,022 | $ 1,812,675 | $ 1,845,010 |
| Net OPEB Liability-HIC Political Subdivision | $ 521,020 | $ 613,668 | $ 736,430 |
| **Plan Fiduciary Net position as a percentage of the Total OPEB liability** | 76.46% | 74.71% | 71.47% |
| **Covered Payroll** | $ 57,864,863 | $ 63,808,087 | $ 67,956,479 |
| **Net OPEB liability as a percentage of covered payroll** | 0.90% | 0.96% | 1.08% |

See accompanying notes to the required supplementary information

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

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.*

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XXII**

### Schedule of Employer Contributions
### Virginia Retirement System-Health Insurance Credit (HIC)
For the Fiscal Year Ended June 30, 2021

| HIC-Teachers | Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | 2021 | $ 8,793,743 | $ 8,793,743 | $ - | $ 726,755,639 | 1.21% |
| | 2020 | 8,415,034 | 8,415,034 | - | 701,252,844 | 1.20% |
| | 2019 | 7,518,031 | 7,518,031 | - | 626,502,557 | 1.20% |
| | 2018 | 7,145,959 | 7,145,959 | - | 580,972,292 | 1.23% |
| | 2017 | 6,017,603 | 6,017,603 | - | 542,126,406 | 1.11% |
| | 2016 | 5,347,894 | 5,347,894 | - | 504,518,323 | 1.06% |
| | 2015 | 5,023,870 | 5,023,870 | - | 473,949,958 | 1.06% |
| | 2014 | 4,995,977 | 4,995,977 | - | 450,088,055 | 1.11% |
| | 2013 | 4,750,883 | 4,750,883 | - | 428,007,513 | 1.11% |
| | 2012 | 2,450,507 | 2,450,507 | - | 408,417,854 | 0.60% |
| **HIC-Political Subdivision** | | | | | | |
| | 2021 | $ 132,027 | $ 132,027 | $ - | $ 69,127,673 | 0.19% |
| | 2020 | 129,117 | 129,117 | - | 67,956,479 | 0.19% |
| | 2019 | 121,235 | 121,235 | - | 63,808,087 | 0.19% |
| | 2018 | 115,730 | 115,730 | - | 57,864,863 | 0.20% |
| | 2017 | 107,368 | 107,368 | - | 53,683,988 | 0.20% |
| | 2016 | 100,049 | 100,049 | - | 52,657,193 | 0.19% |
| | 2015 | 96,772 | 96,772 | - | 50,932,626 | 0.19% |
| | 2014 | 119,791 | 119,791 | - | 49,912,895 | 0.24% |
| | 2013 | 119,642 | 119,642 | - | 49,851,021 | 0.24% |
| | 2012 | 118,447 | 118,447 | - | 49,352,744 | 0.24% |

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XXIII**

### Schedule of Employer's Share of Net OPEB Liability
### Virginia Retirement System-Virginia Local Disability Program (VLDP)
**For the Fiscal Year Ended June 30, 2021***

| VLDP-Teachers | Date | Employer's Proportion of the Net OPEB Liability | Employer's Proportionate Share of the Net OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|---|
| | 2021 | 34.65% | $ 278,014 | $ 204,972,203 | 0.14% | 78.28% |
| | 2020 | 33.31% | 193,658 | 159,743,547 | 0.12% | 74.12% |
| | 2019 | 32.95% | 246,000 | 122,861,829 | 0.20% | 46.18% |
| | 2018 | 31.84% | 191,000 | 89,862,999 | 0.21% | 31.96% |
| **VLDP-Political Subdivision** | | | | | | |
| | 2021 | 6.32% | $ 63,111 | $ 23,558,688 | 0.27% | 76.84% |
| | 2020 | 6.02% | 121,947 | 18,601,794 | 0.66% | 49.19% |
| | 2019 | 5.41% | 42,000 | 13,127,622 | 0.32% | 51.39% |
| | 2018 | 4.68% | 27,000 | 8,601,102 | 0.31% | 38.40% |

See accompanying notes to the required supplementary information

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

*Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.*

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Exhibit XXIV**

### Schedule of Employer Contributions
### Virginia Retirement System-Virginia Local Disability Program (VLDP)
**For the Fiscal Year Ended June 30, 2021**

| VLDP-Teachers | Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | 2021 | $ 1,098,186 | $ 1,098,186 | $ - | $ 233,657,292 | 0.47% |
| | 2020 | 840,390 | 840,390 | - | 204,972,203 | 0.41% |
| | 2019 | 654,948 | 654,948 | - | 159,743,547 | 0.41% |
| | 2018 | 380,872 | 380,872 | - | 122,861,829 | 0.31% |
| | 2017 | 278,575 | 278,575 | - | 89,862,999 | 0.31% |
| | 2016 | 165,728 | 165,728 | - | 57,147,570 | 0.29% |
| | 2015 | 78,176 | 78,176 | - | 26,957,354 | 0.29% |
| | 2014 | 2,023 | 2,023 | - | 697,439 | 0.29% |
| **VLDP-Political Subdivision** | | | | | | |
| | 2021 | $ 212,111 | $ 212,111 | $ - | $ 25,555,567 | 0.83% |
| | 2020 | 169,623 | 169,623 | - | 23,558,688 | 0.72% |
| | 2019 | 115,331 | 115,331 | - | 18,601,794 | 0.62% |
| | 2018 | 78,766 | 78,766 | - | 13,127,622 | 0.60% |
| | 2017 | 51,607 | 51,607 | - | 8,601,102 | 0.60% |
| | 2016 | 35,461 | 35,461 | - | 5,910,085 | 0.60% |
| | 2015 | 18,774 | 18,774 | - | 3,128,970 | 0.60% |
| | 2014 | 1,981 | 1,981 | - | 330,143 | 0.60% |

*Schedule is intended to show information for 10 years. Since 2014 was the first year for VLDP benefits, ten years of data is not available. However, additional years will be included as they become available.*

# Notes to the Required Supplementary Information (RSI)

## Loudoun County Public Schools
## June 30, 2021

## 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.

#### 2. CHANGES OF ASSUMPTIONS

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post-retirement healthy, and disabled** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

**B. POLITICAL SUBDIVISION PLAN**

1. **CHANGES OF BENEFIT TERMS**

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

2. **CHANGES OF ASSUMPTIONS**

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

| **Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

## III. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

**A. LCPS OPEB TRUST**

1. **CHANGES OF BENEFIT TERMS -** There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

2. **CHANGES OF ASSUMPTIONS**

The June 30, 2021 liabilities in this report were developed based on data as of July 1, 2020. Multiple assumption changes were made in the valuation. These changes include:

- The valuation-year per capita health costs were updated.
- The retiree self-pay contribution rates remained at their current level.
- The future trend rates on the valuation-year per capita health costs and retiree self-pay contribution rates were modified.
- The assumed mortality rates were modified

**B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) GROUP LIFE INSURANCE**

1. **CHANGES OF BENEFIT TERMS -** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

2. **CHANGES OF ASSUMPTIONS -** The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

| **Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Largest Ten Locality Employers – General Employees

| **Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

## C. OTHER POSTEMPLOYMENT BENEFITS (OPEB) HEALTH INSURANCE CREDIT PROGRAM - TEACHERS

1. **CHANGES OF BENEFIT TERMS -** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.
2. **CHANGES OF ASSUMPTIONS -** The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

**D. OTHER POSTEMPLOYMENT BENEFITS (OPEB) HEALTH INSURANCE CREDIT PROGRAM – POLITICAL SUBDIVISION**

1. **CHANGES OF BENEFIT TERMS -** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

2. **CHANGES OF ASSUMPTIONS** - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest Ten Locality Employers – General Employees

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

**E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) Virginia Local Disability Program - Teachers**

1. **CHANGES OF BENEFIT TERMS -** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

2. **CHANGES OF ASSUMPTIONS -** The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

**F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) VIRGINIA LOCAL DISABILITY PROGRAM – POLITICAL SUBDIVISION**

1. **CHANGES OF BENEFIT TERMS –** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

2. **CHANGES OF ASSUMPTIONS** – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest Ten Locality Employers-General and Non-Hazardous Duty Employees

| **Mortality Rates (Pre-retirement, post- retirement healthy, and disabled** | **Updated to a more current mortality table – RP-2014 projected to 2020** |
|---|---|
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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# Other Supplementary Information

**Capital Improvements Fund**

**Nonmajor Governmental Funds**

**Proprietary Funds**

**Component Units-Charter Schools**

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# Capital Improvements Fund

**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

**Schedule 1**

### Budgetary Comparison Schedule - Budget and Actual
### Capital Improvements Fund
For the Fiscal Year Ended June 30, 2021

| | Prior Years | Current Year | Total to Date | Project Authorization |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| County of Loudoun, Virginia | $ 1,441,473,530 | $ 158,909,821 | $ 1,600,383,351 | $ 1,679,928,991 |
| Other | 450,000 | - | 450,000 | 350,000 |
| Total revenues | 1,441,923,530 | 158,909,821 | 1,600,833,351 | 1,680,278,991 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Support services: | | | | |
| Facilities services | 817,545 | - | 817,545 | 961,000 |
| Capital outlay | 1,350,188,683 | 153,243,442 | 1,503,432,125 | 1,679,317,991 |
| Total expenditures | 1,351,006,228 | 153,243,442 | 1,504,249,670 | 1,680,278,991 |
| Excess of revenues over expenditures | 90,917,302 | 5,666,379 | 96,583,681 | - |
| **OTHER FINANCING USES** | | | | |
| Transfers out | (55,359) | - | (55,359) | - |
| Total other financing uses | (55,359) | - | (55,359) | - |
| Net change in fund balance | $ 90,861,943 | 5,666,379 | $ 96,528,322 | $ - |
| Fund balance at beginning of year | | 90,861,943 | | |
| Fund balance at end of year | | $ 96,528,322 | | |

# Nonmajor Governmental Funds

**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 and State government funding.**

**School Activity Funds – used to account for monies collected and disbursed at schools in connection with student athletics, classes, clubs, various fund raising activities, and private donations.**

**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 the governmental funds.**

**Peabody Trust Fund – used to account for monies provided through a private donor, the corpus of which is nonexpendable.**

## LOUDOUN COUNTY PUBLIC SCHOOLS
### Combining Balance Sheet
### Nonmajor Governmental Funds
June 30, 2021

| | Special Revenue | | | | |
|---|---|---|---|---|---|
| | Lease Fund | School Nutrition Services Fund | Grant Fund | School Activity Fund | Capital Asset Preservation Fund |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ - | $ - | $ - | $ 8,809,663 | $ - |
| Accounts receivable, net | - | 2,450,004 | 4,623,137 | 210,980 | - |
| Due from other governmental units | - | - | 3,260,293 | - | - |
| Interfund receivables | 1,602,239 | 24,317,841 | - | - | 20,929,978 |
| Inventories | - | 545,114 | - | 221,878 | - |
| Prepaid items | - | - | - | 75,306 | - |
| Total assets | $ 1,602,239 | $ 27,312,959 | $ 7,883,430 | $ 9,317,827 | $ 20,929,978 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 104,090 | $ 174,618 | $ 131,565 | $ 240,105 | $ 1,762,650 |
| Accrued liabilities | - | 1,860,568 | 2,345,212 | - | 618,227 |
| Interfund payables | - | - | 1,935,564 | - | - |
| Unearned revenues | - | 1,775,018 | 1,638,083 | 74,315 | - |
| Total liabilities | 104,090 | 3,810,204 | 6,050,424 | 314,420 | 2,380,877 |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | - | 545,114 | - | 221,878 | - |
| Prepaid items and deposits | - | - | - | 75,306 | - |
| Permanent fund-nonexpendable | - | - | - | - | - |
| Restricted for: | | | | | |
| Restricted by legal agreement | 1,498,149 | - | 1,833,006 | - | - |
| Committed to: | | | | | |
| Capital asset preservation | - | - | - | - | 18,549,101 |
| Assigned to: | | | | | |
| Special revenue fund | - | 22,957,641 | - | 8,706,223 | - |
| Total fund balances | 1,498,149 | 23,502,755 | 1,833,006 | 9,003,407 | 18,549,101 |
| Total liabilities and fund balances | $ 1,602,239 | $ 27,312,959 | $ 7,883,430 | $ 9,317,827 | $ 20,929,978 |

**Schedule 2**

| Debt Service Fund | Permanent Peabody Trust Fund | Total Nonmajor Governmental Funds | |
|---|---|---|---|
| | | | **ASSETS** |
| $ - | $ - | $ 8,809,663 | Cash and cash equivalents |
| 930 | - | 7,285,051 | Accounts receivable, net |
| - | - | 3,260,293 | Due from other governmental units |
| - | 22,370 | 46,872,428 | Interfund receivables |
| - | - | 766,992 | Inventories |
| - | - | 75,306 | Prepaid items |
| $ 930 | $ 22,370 | $ 67,069,733 | Total assets |
| | | | **LIABILITIES AND FUND BALANCES** |
| | | | Liabilities: |
| $ - | $ - | $ 2,413,028 | Accounts payable |
| - | - | 4,824,007 | Accrued liabilities |
| 930 | - | 1,936,494 | Interfund payables |
| - | - | 3,487,416 | Unearned revenues |
| 930 | - | 12,660,945 | Total liabilities |
| | | | Fund balances: |
| | | | Nonspendable: |
| - | - | 766,992 | Inventories |
| - | - | 75,306 | Prepaid items and deposits |
| - | 22,370 | 22,370 | Permanent fund-nonexpendable |
| | | | Restricted for: |
| - | - | 3,331,155 | Restricted by legal agreement |
| | | | Committed to: |
| - | - | 18,549,101 | Capital asset preservation |
| | | | Assigned to: |
| - | - | 31,663,864 | Special revenue fund |
| - | 22,370 | 54,408,788 | Total fund balances |
| $ 930 | $ 22,370 | $ 67,069,733 | 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, 2021

| | Special Revenue | | | | |
|---|---|---|---|---|---|
| | Lease Fund | School Nutrition Services Fund | Grant Fund | School Activity Fund | Capital Asset Preservation Fund |
| **REVENUES** | | | | | |
| Intergovernmental: | | | | | |
| Federal government | $ - | $ 37,005,819 | $ 20,094,209 | $ - | $ - |
| Commonwealth of Virginia | - | 305,241 | 5,177,001 | - | - |
| County of Loudoun, Virginia | - | - | - | - | 24,261,000 |
| Charges for services: | | | | | |
| Food sales | - | 9,363 | - | - | - |
| Other | 439 | 794,130 | 1,556,404 | 9,060,892 | - |
| Total revenues | 439 | 38,114,553 | 26,827,614 | 9,060,892 | 24,261,000 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | - | - | 6,885,562 | 8,647,986 | - |
| Special | - | - | 17,431,211 | - | - |
| Adult education | - | - | 250,273 | - | - |
| Support services: | | | | | |
| Operation and maintenance | 608,577 | - | - | - | 13,837,179 |
| School nutrition services | - | 27,628,995 | 18,796 | - | - |
| Technology | 7,096,815 | - | 2,649,748 | - | - |
| Capital outlay | 2,302,231 | - | 133,253 | - | - |
| Debt service: | | - | | | |
| Principal | - | | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | 10,007,623 | 27,628,995 | 27,368,843 | 8,647,986 | 13,837,179 |
| Excess (deficiency) of revenues over (under) expenditures | (10,007,184) | 10,485,558 | (541,229) | 412,906 | 10,423,821 |
| **OTHER FINANCING SOURCES** | | | | | |
| Capital leases and installment purchases | 10,000,000 | - | - | - | - |
| Net change in fund balances | (7,184) | 10,485,558 | (541,229) | 412,906 | 10,423,821 |
| Fund balances at beginning of year, restated, (Note IV. L) | 1,505,333 | 13,017,197 | 2,374,235 | 8,590,501 | 8,125,280 |
| Fund balances at end of year | $ 1,498,149 | $ 23,502,755 | $ 1,833,006 | $ 9,003,407 | $ 18,549,101 |

**Schedule 3**

| Debt Service Fund | Permanent Peabody Trust Fund | Total Nonmajor Governmental Funds | |
|---|---|---|---|
| | | | **REVENUES** |
| | | | Intergovernmental: |
| $ - | $ - | $ 57,100,028 | Federal government |
| - | - | 5,482,242 | Commonwealth of Virginia |
| 8,059,824 | - | 32,320,824 | County of Loudoun, Virginia |
| | | | Charges for services: |
| - | - | 9,363 | Food sales |
| - | - | 11,411,865 | Other |
| 8,059,824 | - | 106,324,322 | Total revenues |
| | | | **EXPENDITURES** |
| | | | Current: |
| | | | Instruction: |
| - | 1,400 | 15,534,948 | Regular |
| - | - | 17,431,211 | Special |
| - | - | 250,273 | Adult education |
| | | | Support services: |
| - | - | 14,445,756 | Operation and maintenance |
| - | - | 27,647,791 | School nutrition services |
| - | - | 9,746,563 | Technology |
| - | - | 2,435,484 | Capital outlay |
| | | | Debt service: |
| 9,959,753 | - | 9,959,753 | Principal |
| 496,972 | - | 496,972 | Interest |
| 10,456,725 | 1,400 | 97,948,751 | Total expenditures |
| (2,396,901) | (1,400) | 8,375,571 | Excess (deficiency) of revenues over (under) expenditures |
| | | | **OTHER FINANCING SOURCES** |
| - | - | 10,000,000 | Capital leases and installment purchases |
| (2,396,901) | (1,400) | 18,375,571 | Net change in fund balances |
| 2,396,901 | 23,770 | 36,033,217 | Fund balances at beginning of year, restated, (Note IV. L) |
| $ - | $ 22,370 | $ 54,408,788 | Fund balances at end of year |

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Schedule 4**

### Budgetary Comparison Schedule - Budget and Actual
### Lease Fund
For the Fiscal Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Other | $ - | $ - | $ 439 | $ 439 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration | 2,000 | 6,500 | - | 6,500 |
| Operation and maintenance | - | 420,999 | 608,577 | (187,578) |
| Technology | 7,650,000 | 7,710,840 | 7,096,815 | 614,025 |
| Capital outlay | 2,350,000 | 3,148,844 | 2,302,231 | 846,613 |
| Total expenditures | 10,002,000 | 11,287,183 | 10,007,623 | 1,279,560 |
| Excess (deficiency) of revenues over (under) expenditures | (10,002,000) | (11,287,183) | (10,007,184) | 1,279,999 |
| **OTHER FINANCING SOURCES** | | | | |
| Capital leases and installment purchases | 10,002,000 | 11,287,183 | 10,000,000 | (1,287,183) |
| Net change in fund balance | - | - | (7,184) | (7,184) |
| Fund balance at beginning of year | 1,505,333 | 1,505,333 | 1,505,333 | (745,944) |
| Fund balance at end of year | $ 1,505,333 | $ 1,505,333 | $ 1,498,149 | $ (753,128) |

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Schedule 5**

### Budgetary Comparison Schedule - Budget and Actual
### School Nutrition Services Fund
For the Fiscal Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Federal government | $ 11,139,600 | $ 11,139,600 | $ 37,005,819 | $ 25,866,219 |
| Commonwealth of Virginia | 451,660 | 451,660 | 305,241 | (146,419) |
| Charges for services: | | | | |
| Food sales | 21,313,773 | 21,370,706 | 9,363 | (21,361,343) |
| Other | - | - | 794,130 | 794,130 |
| Total revenues | 32,905,033 | 32,961,966 | 38,114,553 | 5,152,587 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Support services: | | | | |
| School nutrition services | 32,805,033 | 32,371,216 | 27,628,995 | 4,742,221 |
| Capital outlay | 100,000 | 590,750 | - | 590,750 |
| Total expenditures | 32,905,033 | 32,961,966 | 27,628,995 | 5,332,971 |
| Net change in fund balance | - | - | 10,485,558 | 10,485,558 |
| Fund balance at beginning of year | 13,017,197 | 13,017,197 | 13,017,197 | (1,574,498) |
| Fund balance at end of year | $ 13,017,197 | $ 13,017,197 | $ 23,502,755 | $ 8,911,060 |

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Schedule 6**

### Budgetary Comparison Schedule - Budget and Actual
### Grant Fund
For the Fiscal Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Federal government | $ 18,773,175 | $ 24,139,157 | $ 20,094,209 | $ (4,044,948) |
| Commonwealth of Virginia | 5,765,156 | 7,644,676 | 5,177,001 | (2,467,675) |
| Charges for services: | | | | |
| Tuition and fees | - | 109,551 | - | (109,551) |
| Other | 3,336,992 | 5,867,276 | 1,556,404 | (4,310,872) |
| Total revenues | 27,875,323 | 37,760,660 | 26,827,614 | (10,933,046) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,834,977 | 13,002,159 | 6,885,562 | 6,116,597 |
| Special | 16,134,310 | 21,272,843 | 17,431,211 | 3,841,632 |
| Adult education | 225,044 | 250,238 | 250,273 | (35) |
| Support services: | | | | |
| School nutrition services | - | 53,357 | 18,796 | 34,561 |
| Technology | 2,494,000 | 2,710,301 | 2,649,748 | 60,553 |
| Capital outlay | 186,992 | 471,762 | 133,253 | 338,509 |
| Total expenditures | 27,875,323 | 37,760,660 | 27,368,843 | 10,391,817 |
| Net change in fund balance | - | - | (541,229) | (541,229) |
| Fund balance at beginning of year | 2,374,235 | 2,374,235 | 2,374,235 | 767,784 |
| Fund balance at end of year | $ 2,374,235 | $ 2,374,235 | $ 1,833,006 | $ 226,555 |

## LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 7

**Budgetary Comparison Schedule - Budget and Actual**
**Capital Asset Preservation Fund**
**For the Fiscal Year Ended June 30, 2021**

| | Prior Years | Current Year | Total to Date | Project Authorization |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| County of Loudoun, Virginia | $ 8,125,280 | $ 24,261,000 | $ 32,386,280 | $ 32,386,280 |
| Total revenues | 8,125,280 | 24,261,000 | 32,386,280 | 32,386,280 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Support services: | | | | |
| Operation and maintenance | - | 13,837,179 | 13,837,179 | 32,386,280 |
| Total expenditures | - | 13,837,179 | 13,837,179 | 32,386,280 |
| Net change in fund balance | $ 8,125,280 | 10,423,821 | $ 18,549,101 | $ - |
| Fund balance at beginning of year | | 8,125,280 | | |
| Fund balance at end of year | | $ 18,549,101 | | |

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Schedule 8**

### Budgetary Comparison Schedule - Budget and Actual
### Debt Service Fund
**For the Fiscal Year Ended June 30, 2021**

| | Original Budget | Final Budget | Actual | Variance from Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| County of Loudoun, Virginia | $ 10,456,725 | $ 10,456,725 | $ 8,059,824 | $ (2,396,901) |
| Total revenues | 10,456,725 | 10,456,725 | 8,059,824 | (2,396,901) |
| **EXPENDITURES** | | | | |
| Debt service: | | | | |
| Principal | 9,959,753 | 9,959,753 | 9,959,753 | - |
| Interest | 496,972 | 496,972 | 496,972 | - |
| Total expenditures | 10,456,725 | 10,456,725 | 10,456,725 | - |
| Net change in fund balance | - | - | (2,396,901) | (2,396,901) |
| Fund balance at beginning of year | 2,396,901 | 2,396,901 | 2,396,901 | - |
| Fund balance at end of year | $ 2,396,901 | $ 2,396,901 | $ - | $ (2,396,901) |

# Proprietary Funds

**Proprietary Funds - Internal Services Funds – accounts 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. This fund closed during this fiscal year and fleet operations moved to the General Fund.**

**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 self-insurance program.**

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Statement of Net Position**
**Proprietary Funds**
**June 30, 2021**

**Schedule 9**

| | | Self-Insurance Fund |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Accounts receivable, net | $ | 366,514 |
| Interfund receivables | | 68,999,467 |
| Deposits | | 4,743,000 |
| Total current assets | | 74,108,981 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Total assets | | 74,108,981 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | | 3,258,995 |
| Accrued liabilities | | 455,048 |
| Claims liabilities | | 17,073,598 |
| Total current liabilities | | 20,787,641 |
| Noncurrent liabilities: | | |
| Claims liabilities | | 1,050,858 |
| Total noncurrent liabilities | | 1,050,858 |
| Total liabilities | | 21,838,499 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| **NET POSITION** | | |
| Unrestricted | | 52,270,482 |
| Total net position | $ | 52,270,482 |

## LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 10

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
### Proprietary Fund
For the Fiscal Year Ended June 30, 2021

| | Central Service Fund | Self-Insurance Fund | Total Internal Service Funds |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Charges for services | $ 5,930,206 | $ 206,830,381 | $ 212,760,587 |
| Use of property | 2,657 | - | 2,657 |
| Total operating revenues | 5,932,863 | 206,830,381 | 212,763,244 |
| **OPERATING EXPENSES** | | | |
| Claims | - | 193,841,671 | 193,841,671 |
| Personnel services | 3,268,085 | 6,231,073 | 9,499,158 |
| Other services and charges | 441,176 | 7,854,152 | 8,295,328 |
| Materials and supplies | 2,692,074 | 277,906 | 2,969,980 |
| Depreciation | 102,854 | - | 102,854 |
| Total operating expenses | 6,504,189 | 208,204,802 | 214,708,991 |
| Net operating loss | (571,326) | (1,374,421) | (1,945,747) |
| **OTHER FINANCING SOURCES** | | | |
| Transfers In | 980,011 | - | 980,011 |
| Total other financing sources | 980,011 | - | 980,011 |
| Net operating income (loss) | 408,685 | (1,374,421) | (965,736) |
| Total net non-operating loss on dissolution, (Note IV. M) | (1,870,523) | - | (1,870,523) |
| Net loss | (1,461,838) | (1,374,421) | (2,836,259) |
| Net position at beginning of year | 1,461,838 | 53,644,903 | 55,106,741 |
| Net position at end of year | $ - | $ 52,270,482 | $ 52,270,482 |

# LOUDOUN COUNTY PUBLIC SCHOOLS
## Combining Statement of Cash Flows
## Proprietary Funds
### For the Fiscal Year Ended June 30, 2021

**Schedule 11**

| | Central Service Fund | Self-Insurance Fund | Total Internal Service Funds |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | $ 5,933,951 | $ 206,757,797 | $ 212,691,748 |
| Payments to suppliers for goods and services | (2,478,482) | (13,042,780) | (15,521,262) |
| Claims paid | - | (192,997,602) | (192,997,602) |
| Payments to employees | (4,421,855) | (6,231,073) | (10,652,928) |
| Payments to interfund services | 966,386 | 5,513,658 | 6,480,044 |
| Net cash provided by operating activities | - | - | - |
| Net cash | - | - | - |
| Cash at beginning of year | - | - | - |
| Cash at end of year | $ - | $ - | $ - |

**Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:**

| | Central Service Fund | Self-Insurance Fund | Total Internal Service Funds |
|---|---|---|---|
| **NET OPERATING LOSS** | $ (571,326) | $ (1,374,421) | $ (1,945,747) |
| **ADJUSTMENTS NOT AFFECTING CASH** | | | |
| Depreciation | 102,854 | - | 102,854 |
| **(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES** | | | |
| Accounts receivable, net | 1,088 | (72,584) | (71,496) |
| Interfund receivables | - | 5,513,658 | 5,513,658 |
| Inventories | 832,407 | - | 832,407 |
| Deposits | - | (958,000) | (958,000) |
| Accounts payable | (99,212) | (3,232,373) | (3,331,585) |
| Accrued liabilities | (78,427) | (720,349) | (798,776) |
| Interfund payables | (187,384) | - | (187,384) |
| Claims liabilities | - | 844,069 | 844,069 |
| Total adjustments | 571,326 | 1,374,421 | 1,945,747 |
| Net cash provided by operating activities | $ - | $ - | $ - |

# Component Units

The Middleburg Community Charter School – is a public school which provides the children of Loudoun County a SOL based, academically rigorous, art and music enhanced, integrated curriculum.

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

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Schedule 12**

### Balance Sheet-Governmental Fund
### Component Unit-Middleburg Community Charter School
**June 30, 2021**

| | General Fund |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 617,296 |
| Due from Primary Government | 66,523 |
| Total assets | $ 683,819 |
| | |
| **LIABILITIES AND FUND BALANCES** | |
| Current liabilities: | |
| Accounts payable | $ 13,128 |
| Payroll liabilities | 5,385 |
| Total liabilities | 18,513 |
| | |
| Fund balances: | |
| Unassigned | 665,306 |
| Total fund balance | 665,306 |
| | |
| Total liabilities and fund balance | $ 683,819 |

## LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 13

**Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund**
**Component Unit-Middleburg Community Charter School**
**For the Fiscal Year Ended June 30, 2021**

| | General Fund |
|---|---|
| **REVENUES** | |
| Revenue from the use of money and property | $ 53 |
| Donations and contributions | 26,128 |
| Contributions from Loudoun County Public Schools | 2,653,972 |
| Revenue from the Federal government | 40,825 |
| Total revenues | 2,720,978 |
| **EXPENDITURES** | |
| Education: | |
| Instructional | 1,918,545 |
| Attendance and health services | 36,452 |
| Transportation | 37,895 |
| Operation and maintenance | 350,333 |
| Food services | 587 |
| Total expenditures | 2,343,812 |
| Excess of revenues over expenditures | 377,166 |
| Net change in fund balance | 377,166 |
| Fund balances at beginning of year, restated (Note IV. L) | 288,140 |
| Fund balances at end of year | $ 665,306 |

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Schedule 14**

## Balance Sheet-Governmental Fund
## Component Unit-Hillsboro Charter Academy
June 30, 2021

| | | General Fund |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 859,588 |
| Due from Primary Government | | 138,794 |
| Total assets | $ | 998,382 |
| **LIABILITIES AND FUND BALANCES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 9,975 |
| Total liabilities | | 9,975 |
| Fund balances: | | |
| Unassigned | | 988,407 |
| Total fund balance | | 988,407 |
| Total liabilities and fund balance | $ | 998,382 |

## LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 15

### Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund
### Component Unit-Hillsboro Charter Academy
For the Fiscal Year Ended June 30, 2021

| | General Fund |
|---|---|
| **REVENUES** | |
| Student fees | $ 4,127 |
| Donations and contributions | 3,045 |
| Fundraising | 49,634 |
| Revenue from the use of money and property | 3,239 |
| Contributions from Loudoun County Public Schools | 2,657,559 |
| Revenue from the Federal Government | 98,725 |
| Total revenues | 2,816,329 |
| **EXPENDITURES** | |
| Education: | |
| Instructional | 1,528,127 |
| Administration and health services | 296,444 |
| Operation and maintenance | 579,738 |
| Fundraising | 6,394 |
| Food services | 1,693 |
| Total expenditures | 2,412,396 |
| Excess of revenues over expenditures | 403,933 |
| Net change in fund balance | 403,933 |
| Fund balances at beginning of year | 584,474 |
| Fund balances at end of year | $ 988,407 |

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# Statistical Section

## LCPS Annual Comprehensive Financial Report 2021

**Unaudited-See accompanying accountant's report**

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

# LOUDOUN COUNTY PUBLIC SCHOOLS
## Net Position by Component
(accrual basis of accounting)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Governmental Activities** | **2021** | **2020** | **2019** | **2018** | **2017** |
| Net investment in capital assets | $ 2,061,751,435 | $ 1,972,889,722 | $ 1,893,341,002 | $ 1,787,598,402 | $ 1,634,288,422 |
| Restricted | 3,353,525 | 3,903,338 | 3,882,548 | 2,319,695 | 1,851,696 |
| Unrestricted | (829,380,845) | (819,642,013) | (776,656,859) | (871,954,719) | (718,725,777) |
| Total net position, as previously reported, restated | 1,235,724,115 | 1,157,151,047 | 1,120,566,691 | 917,963,378 | 917,414,341 |
| Prior period adjustments/restatements (1) | - | 8,590,501 | - | - | (166,015,606) |
| Total net position | $ 1,235,724,115 | $ 1,165,741,548 | $ 1,120,566,691 | $ 917,963,378 | $ 751,398,735 |

(1) FY 2020-LCPS restated net position for the implementation of GASB Statement 84 relating to Student Activity Funds in the amount of $8,590,501

(1) FY 2017-LCPS restated net position for the implementation of GASB Statement 75 relating to OPEB accounting in the amount of $166,015,606.

(1) FY 2014-LCPS restated net position for the implementation of GASB Statement 68 relating to pension accounting in the amount of $779,749,733.

(1) FY 2014-Net position was also restated for an omission of Due to County of $3,500,000 relating to FY13.

**Table A**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2016 | 2015 | 2014 | 2013 | 2012 | **Governmental Activities** |
| $ 1,583,599,591 | $ 1,532,224,787 | $ 1,469,383,294 | $ 1,345,039,435 | $ 1,296,827,243 | Net investment in capital assets |
| 3,381,400 | 29,406 | 32,647,494 | 45,542,377 | 12,565,925 | Restricted |
| (746,910,871) | (821,309,109) | (87,816,066) | (101,134,357) | (69,354,696) | Unrestricted |
| 840,070,120 | 710,945,084 | 1,414,214,722 | 1,289,447,455 | 1,240,038,472 | Total net position, as previously reported |
| - | - | (783,249,733) | - | - | Prior period adjustments/restatements(1) |
| $ 840,070,120 | $ 710,945,084 | $ 630,964,989 | $ 1,289,447,455 | $ 1,240,038,472 | Total net position |

## LOUDOUN COUNTY PUBLIC SCHOOLS

### Changes in Net Position

(accrual basis of accounting)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Governmental Activities** | **2021** | **2020** | **2019** | **2018** | **2017** |
| **Expenses** | | | | | |
| Instruction: | | | | | |
| Regular | $ 919,055,882 | $ 877,709,427 | $ 724,655,424 | $ 721,595,070 | $ 689,981,195 |
| Special | 258,238,313 | 241,956,861 | 200,765,707 | 166,515,819 | 160,599,364 |
| Adult education | 751,560 | 817,409 | 860,694 | 860,289 | 774,264 |
| Other | 4,390,758 | 3,302,058 | 2,151,766 | 1,689,859 | 1,839,511 |
| Charter Schools | 4,734,432 | 4,115,070 | 4,011,758 | 3,771,454 | 3,269,360 |
| Total instruction | 1,187,170,945 | 1,127,900,825 | 932,445,349 | 894,432,491 | 856,463,694 |
| Support Services: | | | | | |
| Administration | 33,627,285 | 33,269,743 | 29,635,996 | 28,549,412 | 26,693,802 |
| Attendance and health | 30,117,163 | 11,706,150 | 17,108,962 | 15,768,881 | 14,965,974 |
| Pupil transportation | 64,774,255 | 65,292,109 | 61,840,432 | 60,653,658 | 56,126,296 |
| Facilities services | 10,075,176 | 11,874,092 | 8,021,502 | 5,181,035 | 4,249,055 |
| Operation and maintenance | 116,933,355 | 116,631,517 | 98,185,651 | 97,125,742 | 83,989,938 |
| School nutrition services | 29,053,844 | 30,701,900 | 29,413,042 | 27,464,983 | 26,095,594 |
| Total support services | 284,581,078 | 269,475,511 | 244,205,585 | 234,743,711 | 212,120,659 |
| Technology | 69,127,748 | 63,418,914 | 48,585,046 | 36,783,840 | 37,424,763 |
| Interest on long-term debt | 425,803 | 494,468 | 467,622 | 330,571 | 299,611 |
| Total Expenses | 1,541,305,574 | 1,461,289,718 | 1,225,703,602 | 1,166,290,613 | 1,106,308,727 |
| | | | | | |
| **Program Revenues** | | | | | |
| Charges for services: | | | | | |
| Regular instruction | 2,246,030 | 2,366,230 | 2,870,467 | 2,760,144 | 2,594,197 |
| All other instruction | 113,767 | 182,025 | 413,003 | 444,577 | 312,992 |
| School nutrition services | 9,363 | 14,277,723 | 20,608,328 | 18,808,535 | 18,633,779 |
| Operating grants and contributions | 109,232,687 | 75,940,321 | 73,291,582 | 60,944,366 | 34,998,883 |
| Capital grants and contributions | 183,170,821 | 172,769,957 | 191,328,688 | 195,274,010 | 112,116,942 |
| Total program revenues | 294,772,668 | 265,536,256 | 288,512,068 | 278,231,632 | 168,656,793 |
| | | | | | |
| Net (expense) | (1,246,532,906) | (1,195,753,462) | (937,191,534) | (888,058,981) | (937,651,934) |
| | | | | | |
| **General Revenues and Other Changes in Net Position** | | | | | |
| Grants and contributions not restricted to specific purposes: | | | | | |
| Federal Government | 15,653,053 | 1,516,900 | 377,608 | 107,774 | 252,028 |
| Commonwealth of Virginia | 370,576,010 | 353,451,342 | 324,509,718 | 309,914,527 | 316,787,568 |
| County of Loudoun, Virginia | 920,285,052 | 872,629,877 | 807,652,367 | 737,000,680 | 692,137,749 |
| Revenue from the use of money and property | 323,437 | 1,195,527 | 1,788,215 | 1,987,844 | 1,788,122 |
| Other | 9,677,921 | 3,544,172 | 5,466,939 | 5,612,799 | 4,030,688 |
| Special items | - | - | - | - | - |
| Total general revenues and other changes in net position | 1,316,515,473 | 1,232,337,818 | 1,139,794,847 | 1,054,623,624 | 1,014,996,155 |
| | | | | | |
| **Change in Net Position** | $ 69,982,567 | $ 36,584,356 | $ 202,603,313 | $ 166,564,643 | $ 77,344,221 |

Table B

| 2016 | 2015 | 2014 | 2013 | 2012 | Governmental Activities |
|---|---|---|---|---|---|
| | | | | | **Expenses** |
| | | | | | Instruction: |
| $ 621,120,465 | $ 598,844,655 | $ 554,392,389 | $ 544,209,456 | $ 498,166,427 | Regular |
| 145,456,923 | 142,401,177 | 129,244,542 | 150,140,769 | 134,924,678 | Special |
| 707,242 | 759,725 | 736,678 | 820,681 | 787,327 | Adult education |
| 1,711,412 | 1,383,824 | 2,435,818 | 4,229,954 | 3,689,350 | Other |
| 1,435,100 | 1,378,767 | - | - | - | Charter Schools |
| 770,431,142 | 744,768,148 | 686,809,427 | 699,400,860 | 637,567,782 | Total instruction |
| | | | | | Support Services: |
| 23,030,952 | 21,995,247 | 19,754,018 | 19,821,969 | 18,052,399 | Administration |
| 13,540,598 | 13,497,921 | 12,459,804 | 11,188,037 | 10,734,630 | Attendance and health |
| 55,634,667 | 56,085,138 | 56,467,025 | 57,473,572 | 55,331,621 | Pupil transportation |
| 2,340,378 | 1,823,048 | 1,924,504 | 3,377,440 | 3,529,974 | Facilities services |
| 81,867,506 | 82,258,524 | 73,352,930 | 77,922,303 | 73,877,222 | Operation and maintenance |
| 24,226,030 | 22,419,261 | 23,401,309 | 25,892,431 | 22,892,698 | School nutrition services |
| 200,640,131 | 198,079,139 | 187,359,590 | 195,675,752 | 184,418,544 | Total support services |
| 30,055,892 | 30,487,363 | 23,544,855 | 22,013,000 | 20,048,569 | Technology |
| 301,611 | 283,289 | 280,174 | 296,132 | 378,606 | Interest on long-term debt |
| 1,001,428,776 | 973,617,939 | 897,994,046 | 917,385,744 | 842,413,501 | Total Expenses |
| | | | | | **Program Revenues** |
| | | | | | Charges for services: |
| 2,506,063 | 2,319,185 | 221,019 | 2,366,230 | 329,664 | Regular instruction |
| 291,785 | 242,873 | 2,079,239 | 182,025 | 2,072,849 | All other instruction |
| 16,454,344 | 15,786,657 | 15,422,559 | 14,277,723 | 17,197,025 | School nutrition services |
| 28,826,012 | 27,360,795 | 25,269,020 | 75,940,321 | 32,446,316 | Operating grants and contributions |
| 106,240,042 | 141,662,059 | 148,057,525 | 172,769,957 | 14,393,179 | Capital grants and contributions |
| 154,318,246 | 187,371,569 | 191,049,362 | 265,536,256 | 66,439,033 | Total program revenues |
| (847,110,530) | (786,246,370) | (706,944,684) | (1,199,112,116) | (775,974,468) | Net (expense) |
| | | | | | **General Revenues and Other Changes in Net Position** |
| | | | | | Grants and contributions not restricted to specific purposes: |
| 225,367 | 225,392 | 1,284,916 | 309,764 | 262,340 | Federal Government |
| 289,484,886 | 275,124,246 | 256,765,872 | 247,085,380 | 215,824,328 | Commonwealth of Virginia |
| 679,458,663 | 610,280,440 | 566,207,402 | 553,640,610 | 501,922,225 | County of Loudoun, Virginia |
| 1,959,285 | 1,729,089 | 2,026,055 | 2,166,749 | 2,468,547 | Revenue from the use of money and property |
| 5,107,365 | 5,632,056 | 5,427,706 | 4,660,206 | 2,746,412 | Other |
| - | (26,764,758) | - | - | - | Special items |
| 976,235,566 | 866,226,465 | 831,711,951 | 807,862,709 | 723,223,852 | Total general revenues and other changes in net position |
| $ 129,125,036 | $ 79,980,095 | $ 124,767,267 | $ 49,408,983 | $ (52,750,616) | **Change in Net Position** |

# LOUDOUN COUNTY PUBLIC SCHOOLS
## Fund Balances of Governmental Funds
(modified accrual basis of accounting)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **General Fund:** | **2021** [(2)] | **2020** | **2019** | **2018** | **2017** |
| General Fund: | | | | | |
| Nonspendable | $ 953,515 | $ 142,240 | $ 145,621 | $ 180,142 | $ 138,578 |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | 66,116,288 | 32,584,862 | 28,656,119 | 36,088,162 | 24,966,285 |
| Unassigned | 8,953,928 | 15,489,671 | 11,537,377 | 77,108 | 15,491,769 |
| Total General Fund | 76,023,731 | 48,216,773 | 40,339,117 | 36,345,412 | 40,596,632 |
| All other governmental funds: | | | | | |
| Nonspendable | 864,668 | 786,724 | 319,631 | 340,730 | 503,123 |
| Restricted | 3,331,155 | 3,879,568 | 3,857,728 | 2,293,825 | 1,824,776 |
| Committed | 115,077,423 | 101,334,124 | 64,976,165 | 55,618,817 | 61,093,398 |
| Assigned | 31,663,864 | 12,304,243 | 14,296,884 | 11,944,420 | 9,157,093 |
| Unassigned | - | - | - | - | - |
| Total all other governmental funds | 150,937,110 | 118,304,659 | 83,450,408 | 70,197,792 | 72,578,390 |
| Total governmental funds, previously reported, restated | 226,960,841 | 166,521,432 | 123,789,525 | 106,543,204 | 113,175,022 |
| Prior period adjustment | - | - | - | - | - |
| Total governmental funds | $ 226,960,841 | $ 166,521,432 | $ 123,789,525 | $ 106,543,204 | $ 113,175,022 |

(1) 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.

(2) The School Activity Fund is treated as a Special Revenue Fund beginning in fiscal year 2021, but was part of the Fiduciary Fund prior to fiscal year 2021.

Table C

| 2016 | 2015 | 2014 (1) | 2013 | 2012 | Fiscal Year |
|---|---|---|---|---|---|
| | | | | | General Fund: |
| $ 154,865 | $ 201,346 | $ 120,733 | $ 357,661 | $ 257,478 | Nonspendable |
| - | 647,714 | 1,760,162 | - | 139,923 | Restricted |
| - | - | 26,764,758 | 27,734,254 | 34,859,396 | Committed |
| 21,924,835 | 14,567,565 | 13,458,757 | 15,346,560 | 6,381,727 | Assigned |
| 53 | 140,519 | - | 940,166 | 1,050,478 | Unassigned |
| 22,079,753 | 15,557,144 | 42,104,410 | 44,378,641 | 42,689,002 | Total General Fund |
| | | | | | All other governmental funds: |
| 408,938 | 385,874 | 460,369 | 820,962 | 710,751 | Nonspendable |
| 3,353,080 | 429,222 | 32,615,988 | 45,509,471 | 12,695,648 | Restricted |
| 80,078,810 | 77,103,392 | 3,681,948 | 1,941,931 | 1,584,871 | Committed |
| 5,990,189 | 4,439,211 | 2,715,886 | 2,833,861 | 4,602,172 | Assigned |
| - | (170,014) | (169,158) | - | - | Unassigned |
| 89,831,017 | 82,187,685 | 39,305,033 | 51,106,225 | 19,593,442 | Total all other governmental funds |
| 111,910,770 | 97,744,829 | 81,409,443 | 95,484,866 | 62,282,444 | Total governmental funds, previously reported, restated |
| - | - | 3,500,000 | - | - | Prior period adjustment |
| $ 111,910,770 | $ 97,744,829 | $ 77,909,443 | $ 95,484,866 | $ 62,282,444 | Total governmental funds |

# LOUDOUN COUNTY PUBLIC SCHOOLS
## Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| **Revenues** | | | | | |
| Intergovernmental | $ 1,588,185,538 | $ 1,471,486,868 | $ 1,397,720,517 | $ 1,289,031,572 | $ 1,152,913,390 |
| Charges for services | 2,369,160 | 16,825,978 | 23,844,780 | 21,966,238 | 21,540,968 |
| Revenue from the use of money and property | 433,979 | 1,266,159 | 1,845,872 | 2,032,297 | 1,873,339 |
| Recovered costs | 7,070,742 | 3,986,339 | 3,806,670 | 3,586,291 | 3,547,551 |
| Other | 13,341,764 | 4,285,969 | 6,110,291 | 4,510,548 | 3,754,591 |
| Total revenues | 1,611,401,183 | 1,497,851,313 | 1,433,328,130 | 1,321,126,946 | 1,183,629,839 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| Instruction | 1,070,035,399 | 1,021,204,779 | 945,156,960 | 878,478,022 | 814,953,656 |
| Support services | 260,419,203 | 249,059,364 | 245,368,447 | 231,968,561 | 206,364,658 |
| Technology | 66,136,688 | 61,021,726 | 48,466,526 | 36,074,646 | 36,366,962 |
| Capital outlay | 161,524,249 | 123,408,744 | 176,763,324 | 180,943,640 | 137,330,180 |
| Debt service: | | | | | |
| Principal | 9,959,753 | 9,944,037 | 9,990,672 | 9,992,314 | 9,972,603 |
| Interest | 496,972 | 480,756 | 335,880 | 301,581 | 300,748 |
| Total expenditures | 1,568,572,264 | 1,465,119,406 | 1,426,081,809 | 1,337,758,764 | 1,205,288,807 |
| Excess (deficiency) of revenues over (under) expenditures | 42,828,919 | 32,731,907 | 7,246,321 | (16,631,818) | (21,658,968) |
| **Other financing sources (uses)** | | | | | |
| Capital leases and installment purchases | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Transfers in | - | - | - | 44,677 | 23,824,678 |
| Transfers out | (980,011) | - | - | (44,677) | (10,901,458) |
| Total other financing sources (uses), net | 9,019,989 | 10,000,000 | 10,000,000 | 10,000,000 | 22,923,220 |
| **Special items** | - | - | - | - | - |
| **Net change in fund balances** | $ 51,848,908 | $ 42,731,907 | $ 17,246,321 | $ (6,631,818) | $ 1,264,252 |
| Debt service as a percentage of noncapital expenditures | 0.75% | 0.78% | 0.83% | 0.90% | 0.97% |

Table D

| Fiscal Year 2016 | 2015 | 2014 | 2013 | 2012 | |
|---|---|---|---|---|---|
| | | | | | **Revenues** |
| $ 1,102,620,217 | $ 1,053,666,344 | $ 983,141,375 | $ 941,325,334 | $ 763,402,998 | Intergovernmental |
| 19,252,192 | 18,348,715 | 17,722,817 | 18,642,425 | 19,599,523 | Charges for services |
| 1,958,475 | 1,717,382 | 2,067,086 | 1,891,239 | 1,628,008 | Revenue from the use of money and property |
| 2,363,494 | 2,320,500 | 2,343,701 | 1,272,925 | 990,753 | Recovered costs |
| 4,506,263 | 4,091,304 | 4,624,365 | 3,639,900 | 3,438,034 | Other |
| 1,130,700,641 | 1,080,144,245 | 1,009,899,344 | 966,771,823 | 789,059,316 | Total revenues |
| | | | | | **Expenditures** |
| | | | | | Current: |
| 761,368,922 | 709,551,487 | 663,454,627 | 640,643,449 | 593,019,659 | Instruction |
| 199,404,249 | 190,099,253 | 181,309,660 | 181,711,775 | 173,163,246 | Support services |
| 29,539,481 | 29,484,711 | 22,659,717 | 20,720,834 | 19,094,197 | Technology |
| 103,463,999 | 100,059,392 | 154,728,949 | 90,315,280 | 96,087,978 | Capital outlay |
| | | | | | Debt service: |
| 9,214,448 | 8,738,395 | 7,865,235 | 7,859,917 | 8,420,767 | Principal |
| 275,601 | 264,102 | 294,160 | 363,146 | 500,063 | Interest |
| 1,103,266,700 | 1,038,197,340 | 1,030,312,348 | 941,614,401 | 890,285,910 | Total expenditures |
| 27,433,941 | 41,946,905 | (20,413,004) | 25,157,422 | (101,226,594) | Excess (deficiency) of revenues over (under) expenditures |
| | | | | | **Other financing sources (uses)** |
| 10,000,000 | 10,000,000 | 10,000,000 | 9,926,000 | 7,000,000 | Capital leases and installment purchases |
| - | - | - | 55,359 | - | Transfers in |
| (23,268,000) | (5,346,761) | (3,662,419) | (1,936,359) | (2,582,000) | Transfers out |
| (13,268,000) | 4,653,239 | 6,337,581 | 8,045,000 | 4,418,000 | Total other financing sources (uses), net |
| - | 26,764,758 | - | - | - | **Special items** |
| $ 14,165,941 | $ 19,835,386 | $ (14,075,423) | $ 33,202,422 | $ (96,808,594) | **Net change in fund balances** |
| 0.96% | 0.97% | 0.94% | 0.98% | 1.14% | Debt service as a percentage of noncapital expenditures |

## LOUDOUN COUNTY PUBLIC SCHOOLS

Table E

### Charges for Services Revenue by Source (1)

(modified accrual basis of accounting)

| Fiscal Year | Food Sales | Tuition | Testing Fees [2] | Driver's ED Fees | Miscellaneous Fees | Total |
|---|---|---|---|---|---|---|
| 2021 | $ 9,363 | $ 904,906 | $ 1,301,820 | $ 151,640 | $ 1,431 | $ 2,369,160 |
| 2020 | 14,277,723 | 911,836 | 1,520,081 | 113,958 | 2,380 | 16,825,978 |
| 2019 | 20,608,328 | 1,589,445 | 1,380,778 | 263,616 | 2,613 | 23,844,780 |
| 2018 | 18,808,535 | 1,494,805 | 1,356,283 | 278,598 | 28,017 | 21,966,238 |
| 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 |

(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 Student | Breakfast Adult | Lunch Student Elementary | Lunch Student Secondary | Lunch Adult |
|---|---|---|---|---|---|
| 2021 | $2.10 | n/a(1) | $3.05 | $3.15 | $4.10 |
| 2020 | $2.10 | n/a(1) | $3.05 | $3.15 | $4.10 |
| 2019 | $2.10 | n/a(1) | $3.05 | $3.15 | $4.10 |
| 2018 | $2.10 | n/a(1) | $3.05 | $3.15 | $4.10 |
| 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 |

(1) Meal price eliminated. Sold a la carte only.
(2) Prior year student lunch price corrected

Source: LCPS - School Nutrition Services Office

## LOUDOUN COUNTY PUBLIC SCHOOLS

**Table G**

### Food Sales - Annual Meals Served

| Fiscal Year | Students Served [1] Breakfasts | Free & Reduced Breakfasts | Lunches | Free & Reduced Lunches | Adult Lunches |
|---|---|---|---|---|---|
| 2021 | - | - | - | - | 897 |
| 2020 | 241,997 | 616,942 | 2,206,333 | 1,413,056 | 33,367 |
| 2019 | 309,555 | 823,845 | 3,070,371 | 1,917,563 | 49,551 |
| 2018 | 286,367 | 811,561 | 2,817,858 | 1,866,394 | 47,606 |
| 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 |

[1] 2021 - USDA Waiver to feed students for free due to COVID-19
Source: LCPS - School Nutrition Services Office

# LOUDOUN COUNTY PUBLIC SCHOOLS

**Table H**

## Ratios of Outstanding Debt by Type

| Fiscal Year | Capital Leases | Total Reporting Entity | Percentage of Personal Income | Debt Per Capita |
|---|---|---|---|---|
| 2021 | $ 25,259,130 | $ 25,259,130 | 0.07% | $ 59 |
| 2020 | 25,218,883 | 25,218,883 | 0.07% | 59 |
| 2019 | 25,162,921 | 25,162,921 | 0.08% | 61 |
| 2018 | 25,153,593 | 25,153,593 | 0.08% | 62 |
| 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 |

Source: LCPS Annual Comprehensive Financial Reports 2012-2021

## LOUDOUN COUNTY PUBLIC SCHOOLS

### Demographic Statistics

**Table I**

| Year | Population [1] | Personal Income [2] | Per Capita Personal Income [3] | Unemployment Rate [4] | School Enrollment [5] |
|---|---|---|---|---|---|
| 2021 | 427,642 | $ 34,545,348,000 | $ 80,781 | 3.6% | 81,504 |
| 2020 | 420,959 | 33,833,317,000 | 80,372 | 8.0% | 84,175 |
| 2019 | 413,000 | 33,460,894,000 | 80,914 | 2.3% | 82,485 |
| 2018 | 402,575 | 31,939,631,000 | 78,762 | 2.6% | 81,235 |
| 2017 | 392,376 | 29,902,522,000 | 75,312 | 3.1% | 79,001 |
| 2016 | 381,214 | 28,325,039,000 | 73,467 | 3.3% | 76,263 |
| 2015 | 368,654 | 26,421,943,000 | 70,644 | 3.7% | 73,461 |
| 2014 | 354,983 | 24,741,360,000 | 68,307 | 4.3% | 70,858 |
| 2013 | 341,187 | 23,456,761,000 | 67,036 | 4.6% | 68,289 |
| 2012 | 328,890 | 23,134,171,000 | 68,475 | 4.6% | 65,668 |

(1) 2020, U.S. Census Bureau. Other years are Loudoun County Department of Department of Finance and Budget estimates.
(2) Through 2019: U.S. Bureau of Economic Analysis. 2020 and 2021 are Loudoun County Department of Department of Finance and Budget estimates.
(3) Through 2019: U.S. Bureau of Economic Analysis. 2020 and 2021 are Loudoun County Department of Department of Finance 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.
Note: Prior year numbers are adjusted as more current data becomes available.

# LOUDOUN COUNTY PUBLIC SCHOOLS

Table J

## Principal Employers in the County of Loudoun, Virginia

Current Year and Nine Years Ago

| | June 30, 2021 | | | June 30, 2012 | | |
|---|---|---|---|---|---|---|
| Employer | Rank | Number of Employees (1) | Percentage of Total County Employment (2) | Rank | Number of Employees (1) | Percentage of Total County Employment (2) |
| Loudoun County Public Schools | 1 | 12,382 | 7.50% | 1 | 9,663 | 6.95% |
| County of Loudoun | 2 | 4,298 | 2.60% | 2 | 3,477 | 2.50% |
| Verizon Business (formerly MCI Worldcom) | 3 | 2,500-5,000 | 2.27% | 7 | 1,000-5,000 | 2.16% |
| Northrop Grumman Innovation Systems (formerly Orbital ATK at this location) | 4 | 1,000-2,500 | 1.06% | 4 | 1,000-5,000 | 2.16% |
| U.S. Department of Homeland (Security) Defense | 5 | 1,000-2,500 | 1.06% | 3 | 1,000-5,000 | 2.16% |
| United Airlines | 6 | 1,000-2,500 | 1.06% | 5 | 1,000-5,000 | 2.16% |
| Raytheon Company | 7 | 1,000-2,500 | 1.06% | | | |
| Inova Health System - (Loudoun Hospital Center) | 8 | 1,000-2,500 | 1.06% | 8 | 1,000-5,000 | 2.16% |
| Walmart | 9 | 1,000-2,500 | 1.06% | | | |
| United States Postal Services | 10 | 1,000-2,500 | 1.06% | 9 | 1,000-5,000 | 2.16% |
| America Online | | | | 10 | 1,000-5,000 | 2.16% |
| M.C.Dean,Inc. | | | | 6 | 1,000-5,000 | 2.16% |
| Totals | | | 19.79% | | | 26.73% |

(1) Loudoun County Department of Economic Development, Virginia Employment Commission links to BLS, CEW publications, 2nd Quarter 2020 released in December 2020, 2012 ACFR data, Loudoun County Public Schools, and Loudoun County Department of Financial and Budget.

(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 and BLS data files.

## LOUDOUN COUNTY PUBLIC SCHOOLS

Table K

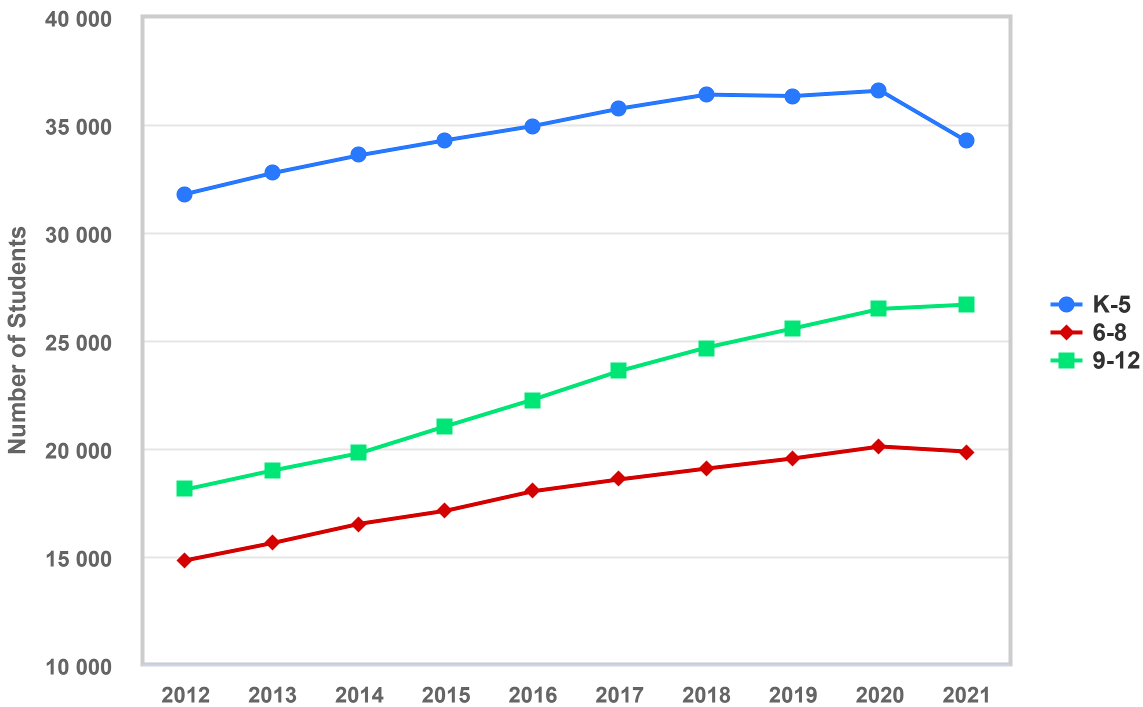
### Enrollment Trend

Last Ten Fiscal Years

| Fiscal Year | Grades K-5 | Grades 6-8 | Grades 9-12 | Grades K-12 Total |
|---|---|---|---|---|
| 2021 | 34,218 | 19,855 | 26,660 | 80,733 |
| 2020 | 36,565 | 20,092 | 26,463 | 83,120 |
| 2019 | 36,317 | 19,541 | 25,561 | 81,419 |
| 2018 | 36,383 | 19,070 | 24,674 | 80,127 |
| 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 |

Source: LCPS Department of Planning & Legislative Services

### Total LCPS Student Growth



# LOUDOUN COUNTY PUBLIC SCHOOLS

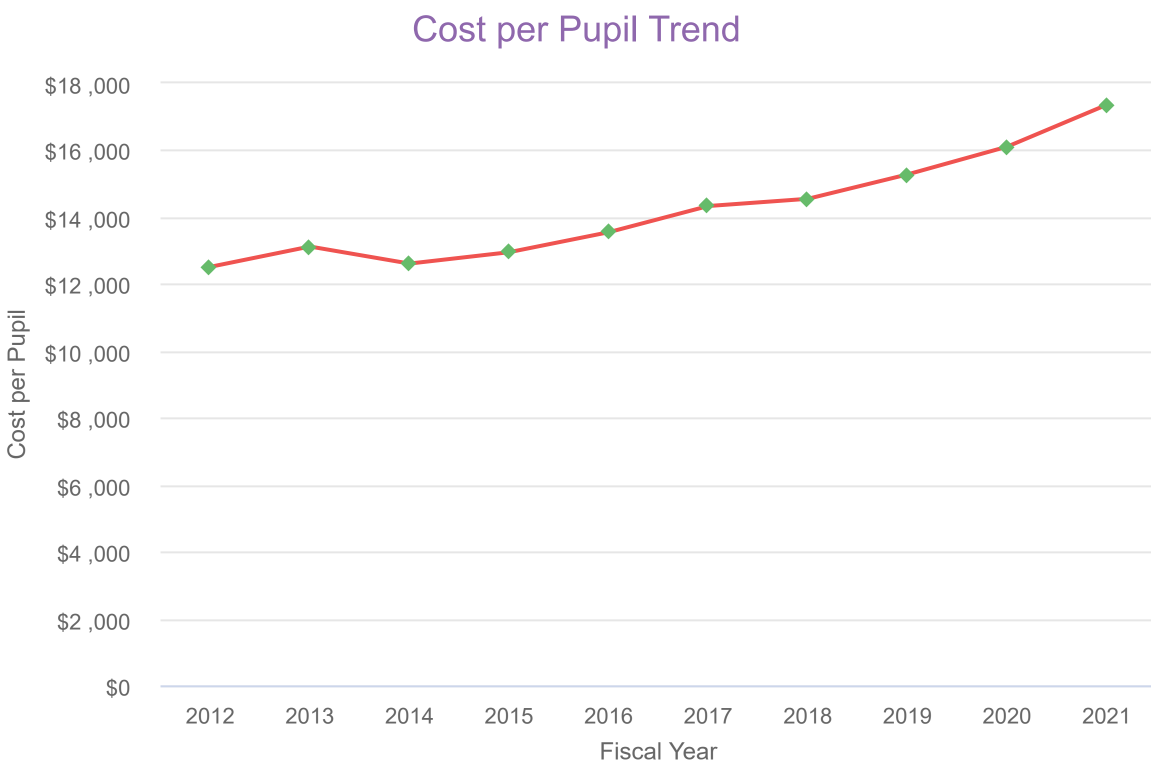
Table L

## Cost per Pupil

### Last Ten Fiscal Years

| Fiscal Year | Cost per Pupil |
|---|---|
| 2021 | $ 17,358 |
| 2020 | 16,106 |
| 2019 | 15,277 |
| 2018 | 14,548 |
| 2017 | 14,332 |
| 2016 | 13,549 |
| 2015 | 12,951 |
| 2014 | 12,611 |
| 2013 | 13,121 |
| 2012 | 12,514 |

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

| | Combined SAT Scores Evidence-based Reading and Writing and Math (1) | | |
|---|---|---|---|
| Fiscal Year | County of Loudoun | Commonwealth of Virginia (Public Schools) | National (Public Schools) |
| 2021 | 1182 | 1151 | 1060 |
| 2020 | 1173 | 1116 | 1051 |
| 2019 | 1180 | 1113 | 1039 |
| 2018 | 1184 | 1110 | 1049 |

| | Combined SAT Scores Critical Reading, Math and Writing | | |
|---|---|---|---|
| Fiscal Year | County of Loudoun | Commonwealth of Virginia | National |
| 2017 | 1155 | 1095 | 1044 |
| 2016 | 1617 | 1535 | 1484 |
| 2015 | 1612 | 1533 | 1490 |
| 2014 | 1611 | 1530 | 1497 |
| 2013 | 1606 | 1528 | 1498 |
| 2012 | 1590 | 1517 | 1498 |

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 2017-2019 scores are not comparable to previous SAT scores.

(2) The 2017 & 2018 State and National scores were adjusted to exclude the private school SAT scores.

## LOUDOUN COUNTY PUBLIC SCHOOLS

Table N

### Average Class Size - Students per Classroom Teacher
Last Ten Fiscal Years

| Fiscal Year | Elementary | Middle/ Intermediate | High |
|---|---|---|---|
| 2021 | 22.0 | 23.8 | 23.7 |
| 2020 | 22.0 | 23.8 | 23.7 |
| 2019 | 23.0 | 23.8 | 24.2 |
| 2018 | 23.0 | 23.8 | 24.8 |
| 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 |

Source: LCPS Budget Office

## LOUDOUN COUNTY PUBLIC SCHOOLS

### Full-Time Equivalent Employees by Function - All Funds

Last Ten Fiscal Years

| Function | Fiscal Year 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| School based: | | | | | |
| Instruction | 7,249.3 | 7,018.0 | 6,754.2 | 6,474.7 | 6,210.1 |
| Bus drivers & attendants | 819.5 | 837.5 | 836.5 | 832.5 | 852.0 |
| Teacher assistants | 1,622.7 | 1,514.3 | 1,461.3 | 1,394.2 | 1,287.3 |
| Custodians | 625.8 | 607.8 | 591.8 | 557.8 | 546.7 |
| Other school support | 560.5 | 540.0 | 517.5 | 492.5 | 434.8 |
| Administration | 385.0 | 378.0 | 364.0 | 340.0 | 324.0 |
| Instructional support | 246.7 | 240.0 | 241.8 | 216.4 | 183.1 |
| Nurses & health clinic specialists | 108.6 | 107.2 | 102.7 | 101.0 | 100.4 |
| Total school based FTE's | 11,618.1 | 11,242.8 | 10,869.8 | 10,409.1 | 9,938.4 |
| Non-school based: | | | | | |
| Secretarial/clerical | 114.0 | 114.0 | 112.0 | 115.0 | 146.0 |
| Other support staff | 406.0 | 404.0 | 378.0 | 374.3 | 385.3 |
| Administration | 243.5 | 234.0 | 217.5 | 204.5 | 170.5 |
| Total non-school based FTE's | 763.5 | 752.0 | 707.5 | 693.8 | 701.8 |
| Total FTE's | 12,381.6 | 11,994.8 | 11,577.3 | 11,102.9 | 10,640.2 |

Source: LCPS Budget Office

Table O

| Fiscal Year 2016 | 2015 | 2014 | 2013 | 2012 | Function |
|---|---|---|---|---|---|
| | | | | | School based: |
| 5,927.4 | 5,632.7 | 5,382.4 | 5,188.6 | 5,041.3 | Instruction |
| 853.5 | 888.5 | 888.5 | 876.5 | 899.5 | Bus drivers & attendants |
| 1,189.5 | 1,148.2 | 1,285.7 | 1,255.6 | 1,213.3 | Teacher assistants |
| 536.8 | 519.7 | 493.0 | 510.5 | 494.5 | Custodians |
| 429.4 | 418.4 | 402.4 | 394.9 | 382.4 | Other school support |
| 299.0 | 283.5 | 291.0 | 283.0 | 277.0 | Administration |
| 176.0 | 171.1 | 199.1 | 191.1 | 187.7 | Instructional support |
| 97.9 | 94.9 | 92.4 | 90.4 | 87.8 | Nurses & health clinic specialists |
| 9,509.5 | 9,157.0 | 9,034.5 | 8,790.6 | 8,583.5 | Total school based FTE's |
| | | | | | Non-school based: |
| 158.0 | 157.5 | 141.5 | 140.0 | 144.5 | Secretarial/clerical |
| 382.3 | 372.5 | 334.2 | 338.2 | 324.7 | Other support staff |
| 152.5 | 134.5 | 128.0 | 128.0 | 124.7 | Administration |
| 692.8 | 664.5 | 603.7 | 606.2 | 593.9 | Total non-school based FTE's |
| 10,202.3 | 9,821.5 | 9,638.2 | 9,396.8 | 9,177.4 | Total FTE's |

# LOUDOUN COUNTY PUBLIC SCHOOLS

## Miscellaneous Statistics

### Last Ten Fiscal Years

| Function | Fiscal Year 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Attendance percentage | 97.4% | 95.6% | 95.4% | 95.7% | 96.0% |
| Drop-out rate | 0.54% | 0.58% | 0.52% | 0.55% | 0.53% |
| English as a Second Language students served | 9,802 | 10,228 | 9,588 | 8,827 | 8,530 |
| Financial aid received by graduates | $55,315,071 | $47,680,920 | $63,186,640 | $58,505,588 | $54,768,301 |
| Graduates pursuing further education: | | | | | |
| Number of students | 5,400 | 5,467 | 5,338 | 5,167 | 4,794 |
| Percent of students | 84.0% | 87.6% | 92.8% | 91.3% | 91.2% |
| Percent of staff that is school-based | 93.8% | 93.7% | 93.2% | 93.8% | 93.7% |
| National Merit Scholarship Committee Semifinalists | 55 | 54 | 58 | 38 | 32 |
| Gifted & Talented students served | 7,267 | 8,658 | 8,152 | 7,336 | 6,950 |

Source: LCPS Public Information Office

Table P

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2016 | 2015 | 2014 | 2013 | 2012 | Function |
| 95.9% | 96.4% | 96.3% | 96.2% | 96.4% | Attendance percentage |
| 0.82% | 0.66% | 0.66% | 0.67% | 0.30% | Drop-out rate |
| 7,173 | 6,768 | 5,824 | 4,563 | 4,920 | English as a Second Language students served |
| $59,476,537 | $38,792,416 | $43,416,413 | $34,931,604 | $28,800,000 | Financial aid received by graduates |
| | | | | | Graduates pursuing further education: |
| 4,628 | 4,665 | 4,222 | 4,351 | 4,222 | Number of students |
| 92.8% | 91.2% | 90.1% | 91.3% | 90.2% | Percent of students |
| 92.6% | 92.6% | 93.7% | 92.9% | 92.9% | Percent of staff that is school-based |
| 40 | 36 | 40 | 14 | 28 | National Merit Scholarship Committee Semifinalists |
| 7,108 | 6,099 | 6,557 | 6,554 | 6,554 | Gifted & Talented students served |

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

| Function | Fiscal Year 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Elementary Schools: | | | | | |
| Buildings | 59 | 59 | 58 | 57 | 57 |
| Building square footage | 4,433,833 | 4,433,833 | 4,330,981 | 4,227,919 | 4,199,245 |
| Base Capacity * | 42,298 | 42,252 | 41,207 | 39,845 | 40,655 |
| Middle Schools: | | | | | |
| Buildings | 17 | 17 | 17 | 16 | 15 |
| Building square footage | 2,787,897 | 2,787,897 | 2,787,897 | 2,602,676 | 2,418,083 |
| Base Capacity | 22,178 | 22,178 | 21,874 | 20,447 | 18,918 |
| High Schools: | | | | | |
| Buildings | 17 | 16 | 15 | 15 | 15 |
| Building square footage | 4,366,061 | 4,060,928 | 3,766,768 | 3,766,798 | 3,766,798 |
| Base Capacity | 31,023 | 28,988 | 26,887 | 26,101 | 25,068 |
| Education Centers: | | | | | |
| Buildings | 2 | 2 | 2 | 2 | 2 |
| Building square footage | 361,771 | 361,771 | 361,771 | 127,071 | 127,071 |
| School Buses | 784 | 783 | 828 | 788 | 800 |

Source: LCPS Construction Division
(1) Capacity reporting has been changed beginning with FY19 to reflect a base capacity calculation for all schools.
* Does not reflect capacity for Charter Schools (i.e., Hillsboro Charter Academy, Middleburg Community Charter School).

**Table Q**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| **2016** | **2015** | **2014** | **2013** | **2012** | **Function** |
| | | | | | Elementary Schools: |
| 56 | 56 | 55 | 53 | 52 | Buildings |
| 4,093,488 | 4,093,488 | 3,991,121 | 3,790,826 | 3,690,349 | Building square footage |
| 38,807 | 38,163 | 35,739 | 33,945 | 33,070 | Base Capacity |
| | | | | | Middle Schools: |
| 15 | 15 | 14 | 14 | 14 | Buildings |
| 2,418,083 | 2,418,083 | 2,234,279 | 2,234,279 | 2,234,279 | Building square footage |
| 18,818 | 16,956 | 16,696 | 16,696 | 16,696 | Base Capacity |
| | | | | | High Schools: |
| 15 | 14 | 13 | 13 | 12 | Buildings |
| 3,766,798 | 3,463,864 | 3,463,864 | 3,149,764 | 2,874,190 | Building square footage |
| 25,370 | 22,212 | 22,570 | 20,523 | 18,723 | Base Capacity |
| | | | | | Education Centers: |
| 2 | 2 | 2 | 2 | 2 | Buildings |
| 127,071 | 123,771 | 127,074 | 124,862 | 124,862 | Building square footage |
| 821 | 859 | 880 | 854 | 854 | School Buses |

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