

LOUDOUN COUNTY PUBLIC SCHOOLS

A component unit of the
County of Loudoun,
Virginia

For the fiscal year ended,
June 30, 2023



ANNUAL COMPREHENSIVE FINANCIAL REPORT



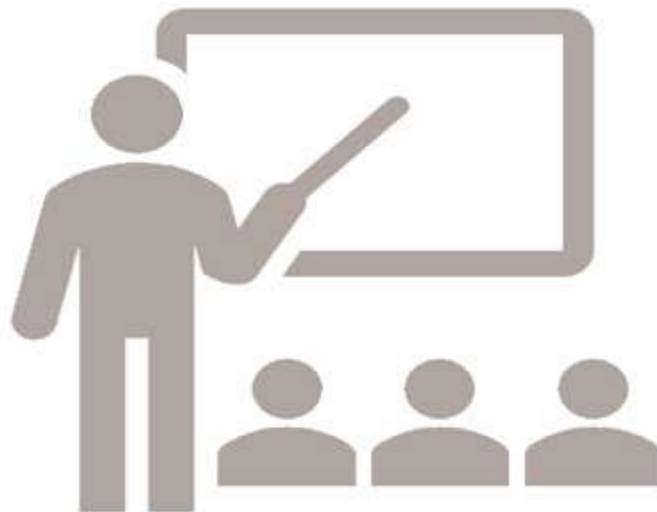
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Annual Comprehensive Financial Report

For the fiscal year ended, June 30, 2023

Loudoun County Public Schools

A component unit of the County of Loudoun, Virginia



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

Dr. Daniel Smith, Acting Superintendent
Sharon Willoughby, Chief Financial Officer



Loudoun County Public Schools
A Climate for Success



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Introductory Section

LCPS Annual Comprehensive Financial Report 2023

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

December 13, 2023

Loudoun County School Board
21000 Education Court
Ashburn, Virginia 20148

Dear Chair Serotkin, 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), a component unit of the County of Loudoun (County), Virginia, for the fiscal year ended June 30, 2023. The financial statements in this report are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. This report consists of management's representations concerning the finances of LCPS.

Accordingly, responsibility for both the data's accuracy and the presentation's completeness and fairness, including all disclosures, rests with LCPS' management. To the best of our knowledge and belief, the information included in this report is accurate in all material respects. It is reported in a manner designed to fairly present the financial position and results of operations of the various activities and funds of LCPS.

The County of Loudoun, including LCPS, must 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, compliance, and other matters, is included in a separate report.

The independent accounting firm of Cherry Bekaert LLP audited LCPS' financial statements. The independent audit involved examining, on a test basis, documents supporting the amounts and disclosures in the financial statements, assessing the accounting principles and significant estimates made by management, and evaluating the overall financial statement presentation. Cherry Bekaert LLP issued an unmodified opinion on LCPS' financial statements for the fiscal year ended June 30, 2023. The Report of the Independent Auditor is included in the financial section of this report.

GAAP requires that the management of LCPS provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

Organizational Structure

As part of the Northern Virginia and Washington Metropolitan Area, Loudoun County spans 520 square miles and is 25 miles west of Washington, D.C.

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, Section 2 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 of government comprising such school divisions. Each local government unit shall provide its portion of such cost by local taxes or other available funds.

Loudoun County Public Schools is the third largest of 132 school divisions in Virginia, 41st in the nation, and is one of Virginia's fastest-growing school divisions, serving over 82,000 students in FY23. LCPS' comprehensive instructional program begins in the 61 community-oriented elementary schools for children in grades K-5. Students progress through the 17 middle schools, grades 6-8, and the 18 high schools, grades 9-12. Programs offered at two educational centers complement the instructional program. LCPS is the largest employer in Loudoun County, with approximately 12,555 full-time staff positions, of which approximately 92.5 percent are school based. LCPS facilities consist of more than 12 million square feet of school buildings and support facilities, 97 instructional buildings, and ten support facilities, with 3,120 acres of campus throughout Loudoun County, built from 1911 to the present.

The Loudoun County School Board is the official policymaking body of the Loudoun County Public Schools. It operates under the laws adopted by the General Assembly of Virginia and consistent with regulations adopted by the Virginia Board of Education. School Board members are elected every four years in the November general election with one member elected for each of the eight electoral districts and one member elected at-large. Each of the 18 LCPS high schools, as well as the Academies of Loudoun, The North Star School, and Thomas Jefferson High School for Science and Technology, have a student representative sitting on the Loudoun County School Board for one month to provide student input on educational issues. The superintendent and seven Cabinet members oversee the school system's day-to-day operations and support services.

LCPS is a component unit of the County and is included as an integral part of the County's financial statements. The cost of the LCPS governmental activities is funded primarily by the County. For fiscal year 2023, the County provided 68.4 percent of funding, and the state and federal governments provided 30.2 percent of LCPS' operating funding. The fiscal year 2023 transfer from the County totals \$1.068 billion, an increase in funding of \$53.7 million, or 5.6 percent, from the fiscal year 2022 transfer amount. Over 79.6 percent of the school system's approved operating budget (\$1.561 billion for the fiscal year 2023) was allocated to instructional programs.

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.

Economic Condition and Outlook

Loudoun County is one of the fastest growing jurisdictions in the Washington metropolitan area, with a population of 440,071 in 2023; the county's population grew 39 percent from 2010 to 2020 and is forecasted to grow another 14 percent from 2020 through 2028.

The County's economy continues to grow and is responsible for a considerable share of Northern Virginia's job growth during the past few years. Key industries include information and communications technology, federal government contractors, data centers, aerospace and defense, aviation and logistics, health innovation technology, agriculture, and rural business.

- Information and communications technology is the largest industry cluster in Loudoun County, which employs 23,000 people and represents 15 percent of Loudoun's private employment.
- More than 900 federal government prime contractors call Loudoun County home.
- Loudoun is a key player in the world's technology economy. Data centers occupy more than 25 million square feet in operation, resulting in much of the world's internet traffic passing through Loudoun's digital infrastructure.
- Nearly \$100 million is invested each year in biomedical research through Howard Hughes Medical Institute's Janelia Research Campus
- Loudoun is home to nearly 1,400 farms, totaling more than 135,000 acres.
- Loudoun County Public Schools is the top employer in the county.

In FY22, Loudoun Economic Development was recognized as Economic Development Organization of the Year for 2021 by the International Economic Development Council. Loudoun Economic Development celebrated 139 businesses opening or expanding in the county in FY22, representing 6,584 new jobs, 6.7 million square feet, and \$5.73 billion in new commercial investment.

Loudoun County's poverty rate is low (3.6%) when compared to the rest of Virginia (10.2%) and the United States (11.6%). However, many low-wage earners residing in Loudoun earn too much to qualify for assistance from poverty programs but not enough for self-sufficiency due to the County's and region's high cost of living. Families with school-age children often fall into this economic gap. An estimated 22% of students enrolled within the school system were considered economically disadvantaged in FY23.

With the highest median household income in the US since 2007, Loudoun County has consistently been ranked the top county in the United States, coming in at \$147,111 (2020 US Census Report). Comparatively, the median household income for Virginia was \$76,398 and \$64,994 for the United States for the same year. Loudoun's highly educated workforce (almost 61.6 percent have at least a bachelor's degree), the availability of high-wage jobs in the region, the high percentage of working-age persons, and the low unemployment rate all contribute to the high median income. For June 2023, Loudoun County's unemployment rate was 2.3 percent, whereas the state of Virginia and the United States was 2.7 percent and 3.6 percent, respectively.

In September 2021, LCPS students returned to school just as in pre-pandemic years, with five days of in-person instruction and the opening of two new facilities. LCPS enrollment totals remained flat for FY22, with an increase of 828 students or 1.0% growth in FY23, with a per-student expenditure of \$18,719. FY24 student enrollment is projected to be flat.

The FY23 budget reflected a \$82,493,440 (5.6%) increase in the Operating Fund, a \$78,500,000 (48%) decrease in the Capital Improvement Projects (CIP) Fund, a \$26,497,412 (89%) increase in Grant Funds, and increases in the Self Insurance Fund (6.1%), School Nutrition Fund (23.3%), and Capital Asset Preservation Program (CAPP) Fund (13.7%). The overwhelming majority of increases focus on Student Experience/Learning and Employee Experience.

Major Initiatives

Loudoun County Public Schools (LCPS) is proud to have a Strategic Plan, One LCPS Strategic Plan for Excellence, to provide direction for our school division through 2027. The School Board approved the new strategic plan on June 28, 2022, to include the vision, mission, core values, goals, aligned actions, and strategies.

ONE LCPS

2027 Strategic Plan for Excellence

*We believe that together, as **One LCPS**, our families, staff, division, and community can ensure that all students are able to pursue and achieve their full potential.*

- Dr. Scott A. Ziegler, Superintendent


OUR VISION: Every student will reach their full potential and achieve their dreams.

OUR MISSION: Empowering all students to make meaningful contributions to the world.

STRATEGIC GOALS



Empowered Students: Students will be at the center of our work – valuing all students' hopes and dreams and preparing them to make meaningful contributions to the world.



Exemplary Staff: LCPS teachers, administrators, and staff are the most important factor in helping our students after their parents; seeing that staff are esteemed, exemplary, supported, and accountable is vital to student success.



Enriched Division: LCPS must be aligned around our core educational mission for students and strengthen trust, listen humbly, value differences, and remain steadfast in ensuring every student is prepared to make meaningful contributions to the world.



Engaged Community: Parents, families, and our community must be a support, guide, ally, and partner; there is no one more deeply invested in the success of students than their families.



CORE VALUES

HOLISTIC SUPPORT
Every student should have the support to feel safe, happy, and cared for in school.

EQUITY AND OPPORTUNITY
All students and staff should have access to resources, programs, and support that enable a successful future.

TRUST THROUGH LISTENING
All students, staff, and community members should have regular opportunities to be heard in two-way conversations across the divide.

Academic Achievement

- The Class of 2023 graduated 6,356 seniors. Seventy percent reported that they will be attending a four-year college, while 17 percent will attend a two-year school. More than 2,000 graduates accepted almost \$33 million in scholarships.
- Loudoun County Public Schools had a 97 percent on-time graduation rate in 2023
- The Class of 2023 had sixty-two National Merit Scholarship Semifinalists and seventeen National Merit Finalists.
- The LCPS average SAT for the Class of 2023 was 1173; 596 on Reading & Writing and 577 on Math. LCPS Seniors, on average, scored 60 points higher than graduates of public schools in Virginia and 145 points higher than the global average.
- All 17 LCPS middle schools received the Schools to Watch designation from the National Forum to Accelerate Middle School Reform.
- Three LCPS middle schools, Belmont Ridge, River Bend, and Smart's Mill, were recipients of the Association for Middle Level Education (AMLE) Schools of Distinction recognition.
- Four Loudoun County Public Schools high school students earned national award medals for the 100th annual Scholastic Art & Writing Awards competition.
- For the second year in a row, Loudoun Valley High School was chosen as one of 16 high schools nationwide to receive the prestigious First Amendment Press Freedom Award for 2023.
- For the second year in a row, the Lightridge High School Academic Team earned the VHSL State Scholastic Bowl Class 4 Champion title.
- Rock Ridge High School received the Premier Community for Theatre Education designation from the Educational Theatre Association (EdTA) for its commitment to theatre education. Rock Ridge High School was one of 25 schools nationwide to receive this designation and the only school in Virginia.
- For 15 consecutive years, LCPS has been named among the Best Communities for Music Education by the National Association of Music Merchants (NAMM) Foundation, one of only 19 Virginia school divisions to receive this honor in 2022.
- Elaine E. Thompson Elementary opened in Fall 2022, bringing the total to 98 schools.
- LCPS received its 12th ENERGY STAR Partner of the Year for Sustained Excellence Award from the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy. LCPS is one of 74 organizations to receive this award for energy management and the only school system with 12 years as a Sustained Excellence Partner.
- Forbes named LCPS one of America's Best-In-State Employers for 2023.

Community Involvement

LCPS continues to be an integral part of the Loudoun Community. Parents, school business partners, and volunteers support schools and other families by mentoring, tutoring, helping with special projects, fundraising, and reading. LCPS Business Partnerships Network currently includes 500 plus organizations from the public and private sectors.

LCPS facilities are made available for the community's use when not being used for instructional purposes. This includes youth development activities, government organizations, advisory groups, non-commercial community organizations such as non-profits and religious entities, adult education classes, and civic organizations.

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.

- Loudoun County Public Schools recently delivered “One LCPS: 2027 Strategic Plan for Excellence” as a foundational tool providing high-level direction for the school division over the next five years. Executing this multiyear journey will require sustained and committed resources to progress against and ultimately achieve each of the four strategic goals. It may be difficult to predict future budget requirements as One LCPS is a living document that may adjust over time in accordance with changes in state policy and to address evolving local priorities.
- 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 significantly invested 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.
- Enrollment trends where the population of students requiring specialized services continues to increase at a higher rate than the total enrollment rate will incrementally move the cost per pupil. The average cost to educate students will increase as more students consume services with lower staffing standard ratios or utilize more specialized learning materials.
- Macroeconomic conditions such as abnormally high inflation and sustained supply chain difficulties create price pressures and uncertainty on many of LCPS's expenditures, from classroom supplies to school lunches to fuel. Ongoing inflation, even at rates lower than we are experiencing now, will create significant budgetary pressures unless revenues increase at a commensurate pace to offset inflation and teacher salary scale restructuring.
- A challenging revenue environment will necessarily force trade-offs where the district must absorb macroeconomic conditions while simultaneously prioritizing implementation requirements of the One LCPS strategic plan. While enrollment growth has been a driving factor for LCPS revenues during the last decade, the rate of growth is expected to be more moderate, at least through the CIP forecasting window. This will lead to lower ADM sensitive support from the state and put greater pressure on the budget to support the LCPS infrastructure as well as continue to offer new programs and supports for students.

Management Controls

LCPS utilizes many control systems to ensure its financial information's integrity and its assets' protection.

Internal Controls

The Division of Financial Services is responsible for accounting for all financial transactions, payroll services, internal audits, financial reporting, school activity fund accounting, procurement, risk management services, financial applications systems training and support, and employee health and wellness. The Division develops and implements a procedure 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 the 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. These budgetary controls aim 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, each organizational unit maintains management control at the program level. The division maintains an encumbrance accounting system to accomplish 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 2022. Specific requirements must be met to be awarded a GFOA Certificate of Achievement, 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 2022. ASBO's Certificate program fosters excellence in preparing and issuing the school's annual financial reports.

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

Acknowledgments

LCPS maintains a solid 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 increase 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 was accomplished with the effort of the entire staff of this Department's Accounting Division.

Special recognition goes to the 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 School Board members 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,



Dr. Aaron Spence
Superintendent



Sharon Willoughby
Chief Financial Officer

School Board Members and Administration

Loudoun County Public Schools - as of June 30, 2023

SCHOOL BOARD

Ian Serotkin

Chair

Blue Ridge District

Harris Mahedavi

Vice Chair

Ashburn District

Atoosa Reaser

Algonkian District

Brenda Sheridan

Sterling District

Tiffany Polifko

Broad Run District

John Beatty

Catoctin District

Jeff Morse

Dulles District

Erika Ogedegbe

Leesburg District

Denise Corbo

At Large

ADMINISTRATION

Dr. Daniel Smith

Acting Superintendent

Neil Slevin

Acting Chief of Staff

Dr. Ashley F. Ellis

Deputy Superintendent

Lisa M. Boland

Chief Human Resources Officer for Human Resources and Talent Development

Sharon V. Willoughby

Chief Financial Officer for Business and Financial Services

Dr. Asia Jones

Assistant Superintendent for Student Services

Kevin L. Lewis

Chief Operations Officer for Support Services

Aaron M. Smith

Chief Technology Officer for Digital Innovation

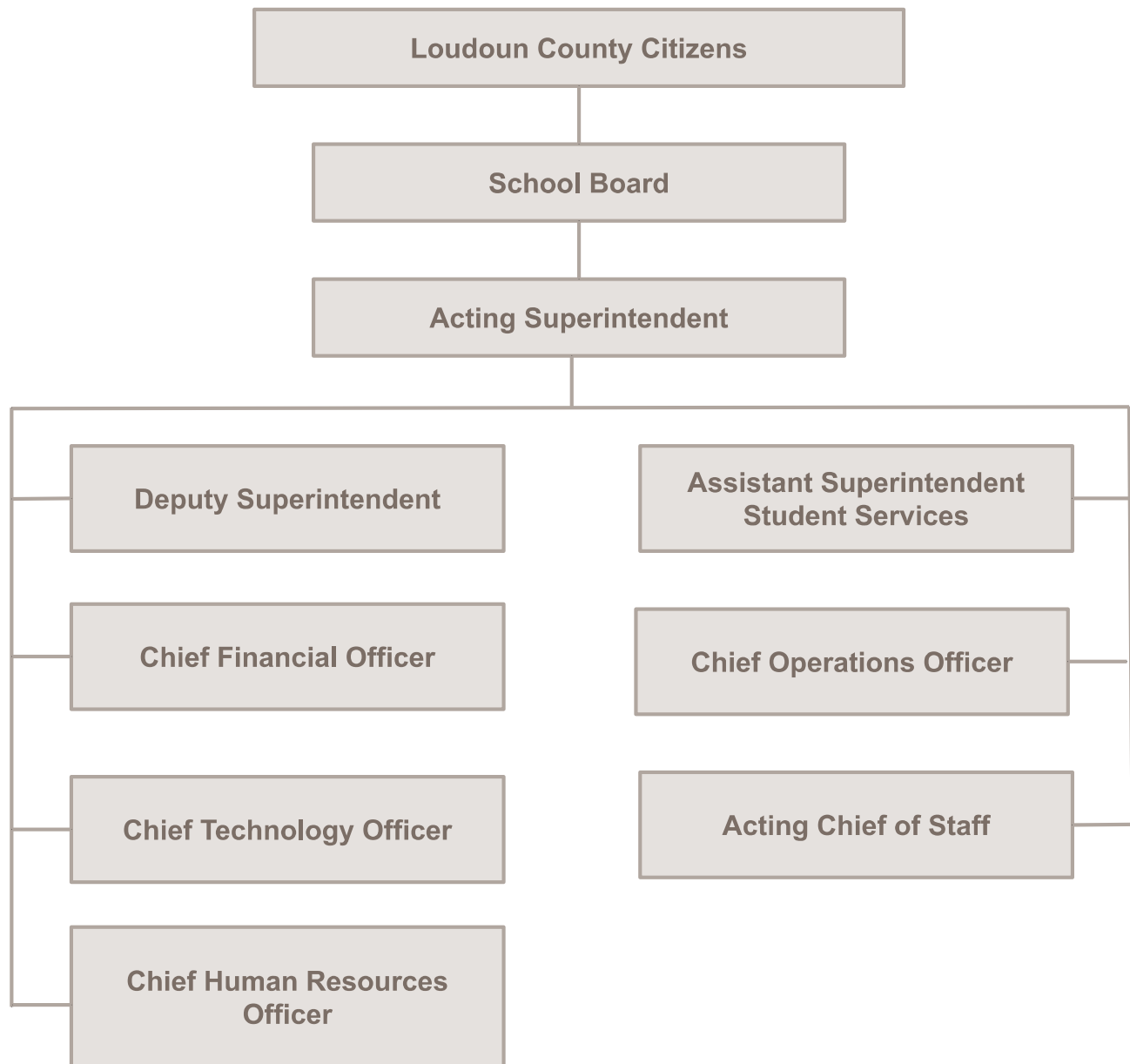
Robert Falconi

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 fourteenth year ended June 30, 2022. 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.



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

Loudoun County Public Schools

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

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



A handwritten signature in black ink, appearing to read 'John W. Hutchison'. The signature is written in a cursive style with a large, looping 'J' and 'H'. Below the signature is a thin horizontal line.

**John W. Hutchison
President**

A handwritten signature in black ink, appearing to read 'Siobhán McMahon'. The signature is written in a cursive style. Below the signature is a thin horizontal line.

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



June 5, 2023

Ms. Sharon Willoughby
Chief Financial Officer
Loudoun County Public Schools
21000 Education Court
Ashburn, VA 20148

Dear Ms. Willoughby,

Congratulations! On behalf of the Association of School Business Officials (ASBO) International, I am pleased to inform you that Loudoun County Public Schools has received ASBO's Certificate of Excellence in Financial Reporting for the fiscal year ended 2022. This award represents a significant achievement and reflects your commitment to transparency and high-quality financial reporting. We encourage you to use the [COE recipient's logo](#) to share your achievement in emails and marketing materials.

The Certificate of Excellence (COE) Review Team has provided their comments for the improvement of your Annual Comprehensive Financial Report. It is important to review the comments and address them before you prepare next year's report. Your district must include a copy of the original comments and the district's written responses to the comments in next year's application packet.

We hope you will use the attached press release to share this important achievement with your community. Your award certificate is also attached.

Congratulations to you and the members of your staff who worked so hard to earn the COE this year. We look forward to your continued participation in the COE program.

Sincerely,

A handwritten signature in dark ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operations Officer/Interim Executive Director



44790 Maynard Square, Suite 200 | Ashburn, VA 20147 | P: 866.682.2729 | asbointl.org

**FOR IMMEDIATE RELEASE**

Contact: Susan Lambert
slambert@asbointl.org

School District Awarded for Outstanding Financial Reporting

Ashburn, VA – 2023 – The Association of School Business Officials International (ASBO) is pleased to award Loudoun County Public Schools the Certificate of Excellence in Financial Reporting (COE). ASBO International's COE recognizes districts that have met the program's high standards for financial reporting and transparency. The school district earned the Certificate of Excellence for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended 2022.

"The COE's mission is to promote and recognize excellence in financial reporting," ASBO International Chief Operations Officer/Interim Executive Director Siobhan McMahon says. "The Annual Comprehensive Financial Report informs stakeholders about the financial and economic state of the district, making it an important communications tool for building trust and engaging with the school community."

By participating in the COE program, school districts demonstrate their commitment to financial transparency. Applicants submit their ACFR for review by a team of financial professionals who provide feedback to improve future documents. If the report meets the requirements of the program, it may receive the Certificate of Excellence. A district's participation in the COE program can facilitate bond rating and continuing bond disclosure processes.

The COE is proudly sponsored by ASBO International Strategic Partner American Fidelity.

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About ASBO International

Founded in 1910, the Association of School Business Officials International (ASBO) is a nonprofit organization that, through its members and affiliates, represents approximately 30,000 school business professionals worldwide. ASBO International is committed to providing programs, services, and a global network that promote the highest standards in school business. Its members support student achievement through effective resource management in various areas ranging from finance and operations to food services and transportation. Learn more at asbointl.org.

About American Fidelity

American Fidelity provides employer cost-savings solutions and supplemental insurance benefits to specific industries. Acting as an extension of the HR department, we educate, enroll, and support the development of robust, competitive insurance packages—all while ensuring seamless administration and employee satisfaction. As experts in employer benefit solutions, our salaried account managers deliver year-round support, help employers overcome benefit administrative challenges, and always offer a different perspective – a different opinion.

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 Comprehensive Financial Report (ACFR) for the fourteenth year ended June 30, 2022. 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

A handwritten signature in black ink that reads "Christopher P. Morrell". The signature is fluid and cursive.

Executive Director/CEO



Financial Section

LCPS Annual Comprehensive Financial Report 2023

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





Report of Independent Auditor

To the School Board
Loudoun County Public Schools

Report on the Audit of the Financial Statements

Opinions

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 Loudoun County Public Schools ("LCPS"), a component unit of the County of Loudoun, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the LCPS' basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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 LCPS, as of June 30, 2023, 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.

We did not audit the financial statements of the School Activity Fund, a Special Revenue Fund of LCPS, which represents 2.5%, 4.9%, and 2.8% of the total assets, revenues, and fund balance, respectively, of the aggregate remaining fund information as of June 30, 2023. We also did not audit the financial statements of the Middleburg Community Charter School ("MCCS") and Hillsboro Charter Academy ("HCA"), LCPS' discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Activity Fund and the discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the School Activity Fund, MCCS, and HCA were not audited in accordance with the Specifications. Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of LCPS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LCPS' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LCPS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LCPS' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information and the notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LCPS' basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 and the reports of the other auditors, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of LCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 LCPS' internal control over financial reporting and compliance.



Tysons Corner, Virginia
December 13, 2023

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, 2023. 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

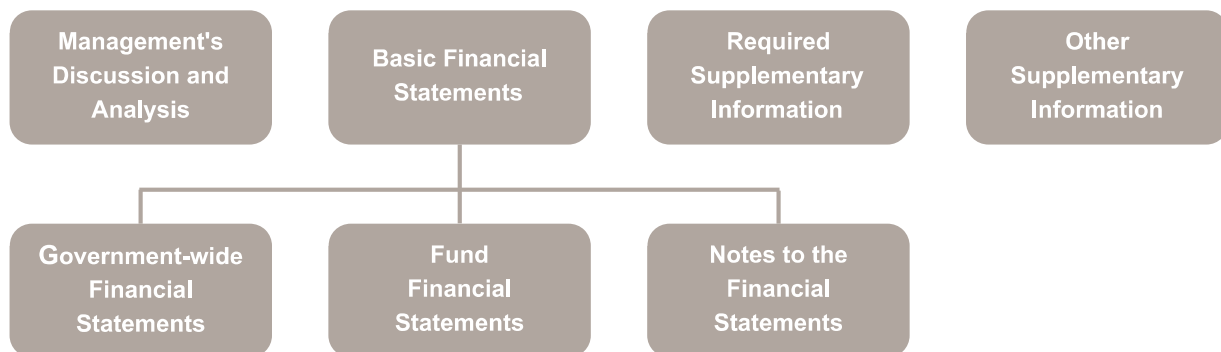
GOVERNMENT-WIDE FINANCIAL STATEMENTS

- 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 \$1,581.1 million at June 30, 2023. Of this amount, \$2,190.2 million is net investment in capital assets.
- At the close of the fiscal year, total revenues of the Reporting Entity amounted to \$1,885.5 million, while total expenses incurred were \$1,655.4 million, which resulted an increase in net position of \$230.2 million, as compared to the net increase of \$113.0 million for fiscal year 2022 or 9.17% increase. The increase in Net Position is due to an increase of \$23.2 million in expenses, and an increase of \$139.8 million in revenue.
- Fiscal year ended June 30, 2023 reported Primary Government's costs of governmental activities of \$1,649.4 million, which exceeded program revenues (charges for services, \$21.1 million; operating grants and contributions, \$109.7 million; and capital grants and contributions, \$200.8 million by \$1,317.8 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 \$1,547.3 million, were sufficient to cover the excess of programs' costs over revenues.
- The Charter Schools ended the fiscal year by reporting \$6.5 million in operating grants and contributions. Total expenses incurred were \$6.0 million. General revenues of \$0.1 million, in addition to the excess of program revenue over program costs, resulted in an increase in net position of \$0.3 for 2023.

FUND FINANCIAL STATEMENTS

- LCPS' governmental funds reported a combined fund balance of \$263.7 million at June 30, 2023 an increase of \$16.9 million over the prior year.
- At June 30, 2023, the General Fund reported an ending fund balance of \$44.4 million, a decrease of \$4.2 million from June 30, 2022.

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 government-wide 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 seven 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 \$1,578.6 million at the close of fiscal year 2023, representing an increase of \$229.7 million from the net position at June 30, 2022.

By far, the largest portion of LCPS' net position (138.7 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 installment purchases and leases amounting to \$50.0 million at June 30, 2023.

The following table provides a summary of net position as of June 30, 2023 and 2022:

SUMMARY OF NET POSITION

As of June 30

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

	Primary Government			Component Units		
	2023	2022	Variance	2023	2022	Variance
ASSETS						
Current and other assets	\$ 542.6	\$ 522.6	\$ 20.0	\$ 2.7	\$ 2.1	\$ 0.6
Capital assets, net	2,283.2	2,176.2	107.0	-	-	-
Total assets	<u>2,825.8</u>	<u>2,698.8</u>	<u>127.0</u>	<u>2.7</u>	<u>2.1</u>	<u>0.6</u>
DEFERRED OUTFLOWS OF RESOURCES	574.6	519.5	55.2	-	-	-
LIABILITIES						
Current liabilities	220.9	212.1	8.8	0.2	0.1	0.1
Long-term liabilities	1,384.8	1,115.8	269.0	-	-	-
Total liabilities	<u>1,605.7</u>	<u>1,327.9</u>	<u>277.8</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
DEFERRED INFLOWS OF RESOURCES	216.2	541.2	(325.1)	-	-	-
NET POSITION						
Net Investment in capital assets	2,190.2	2,103.3	86.9	-	-	-
Restricted	-	1.9	(1.9)	-	0.1	(0.1)
Restricted by Legal Agreement	4.5	-	4.5	0.1	-	0.1
Unrestricted	(616.1)	(756.2)	140.1	2.4	1.8	0.6
Total net position	<u>\$ 1,578.6</u>	<u>\$ 1,348.9</u>	<u>\$ 229.7</u>	<u>\$ 2.5</u>	<u>\$ 1.9</u>	<u>\$ 0.6</u>

STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in LCPS' net position for the fiscal years ended June 30, 2023 and 2022:

SUMMARY OF CHANGES IN NET POSITION

For the Fiscal Years Ended June 30

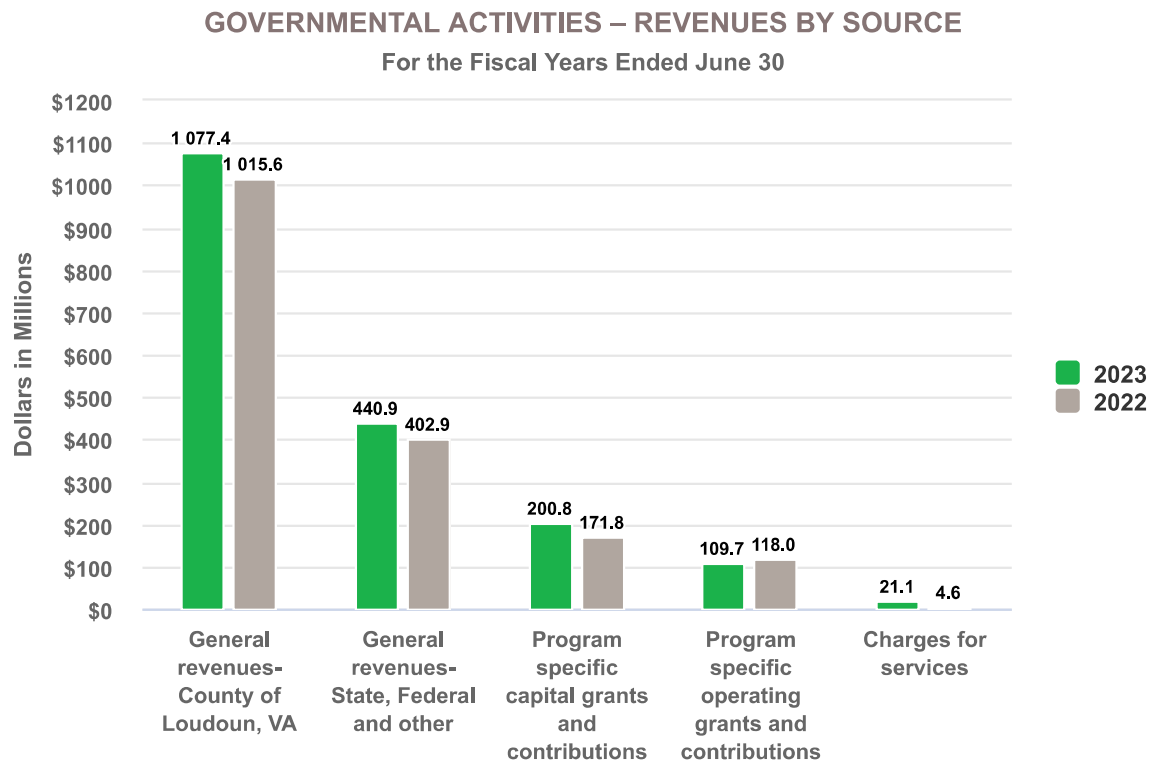
(Dollars in Millions-may not foot due to rounding)

	Primary Government			Component Units		
	2023	2022	Variance	2023	2022	Variance
REVENUES						
Program revenues:						
Charges for services	\$ 21.1	\$ 4.6	\$ 16.5	\$ -	\$ -	\$ -
Operating grants and contributions	109.7	118.0	(8.3)	6.5	5.5	1.0
Capital grants and contributions	200.8	171.8	29.0	-	-	-
General revenues:						
Grants and contributions	1,516.7	1,416.8	99.9	-	-	-
Revenue from the use of money	1.6	1.7	(0.1)	-	-	-
Other	29.0	27.2	1.8	0.1	0.1	-
Total revenues	<u>1,878.9</u>	<u>1,740.1</u>	<u>138.8</u>	<u>6.6</u>	<u>5.6</u>	<u>1.0</u>
EXPENSES						
Instruction:						
Regular	931.2	964.5	(33.3)	-	-	-
Special	254.3	252.0	2.3	-	-	-
Adult education	1.1	1.0	0.1	-	-	-
Other	4.5	7.5	(3.0)	-	-	-
Charter Schools	5.7	4.9	0.8	-	-	-
Support Services:						
Administration	39.6	35.8	3.8	-	-	-
Attendance and health	28.8	27.1	1.7	-	-	-
Pupil transportation	81.5	74.7	6.8	-	-	-
Facilities services	26.1	14.7	11.4	-	-	-
Operation and maintenance	157.2	132.7	24.5	-	-	-
School nutrition services	43.8	40.1	3.7	-	-	-
Technology	75.2	71.2	4.0	-	-	-
Charter Schools	-	-	-	6.0	5.3	0.7
Interest on long-term debt	0.4	0.7	(0.3)	-	-	-
Total expenses	<u>1,649.4</u>	<u>1,626.9</u>	<u>22.5</u>	<u>6.0</u>	<u>5.3</u>	<u>0.7</u>
Change in net position	<u>229.6</u>	<u>113.2</u>	<u>116.4</u>	<u>0.6</u>	<u>0.3</u>	<u>0.3</u>
Net position, beginning of year	<u>1,348.9</u>	<u>1,235.7</u>	<u>113.2</u>	<u>2.0</u>	<u>1.7</u>	<u>0.3</u>
Net position, end of year	<u>\$ 1,578.6</u>	<u>\$ 1,348.9</u>	<u>\$ 229.7</u>	<u>\$ 2.6</u>	<u>\$ 2.0</u>	<u>\$ 0.6</u>

Revenues

Revenues for LCPS' governmental activities totaled \$1,878.9 million during the fiscal year 2023, representing an increase of \$138.8 million over fiscal year 2022.

The following chart represents revenues by source for the fiscal years ended June 30, 2023 and 2022:



The events contributing to the increase in revenues during the fiscal year 2023 were:

- LCPS received an increase of \$101.6 million in general revenues from the previous fiscal year. Included in this increase, LCPS received a 6.1 percent increase, or \$61.8 million, in the contribution from the County. This contribution is LCPS' primary revenue source. The other portion included in the general revenues was an increase from the Commonwealth of Virginia of \$32.7 million or \$8.4 percent from 2022. LCPS continues to expend the COVID funds in FY23 as we are working to close out these grants, thus, we received an increase of \$5.8 million from FY22. All other general revenues – grants and contributions increased \$1.8 million from 2022.
- LCPS received an increase of \$20.7 million in program specific revenues from fiscal year 2022. Capital grants and contributions increased \$29.0 million from fiscal year 2022 due to an increase in revenue for construction from the County. LCPS is constructing an elementary and middle school which are scheduled to open Fall 2024. We also completed major costs in upgrading HVAC, replacing boilers, chillers and roof replacements. Operating grants and contributions decreased \$8.3 million, or (7.0 percent), from fiscal year 2022.
- LCPS received an increase of \$16.5 million for charges for services as federal funding to provide free meals for all students was not extended into fiscal year 2023. This resulted in a return to cafeteria sales being the primary revenue source for School Nutrition Services.

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 2023 and 2022:

SUMMARY OF PROGRAM COSTS BY FUNCTION

For the Fiscal Years Ended June 30

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

Function	Total Cost of Function			Net Cost (Revenues) of Function		
	2023	2022	Percent Variance	2023	2022	Percent Variance
Governmental Activities:						
Instruction:						
Regular	\$ 931.2	\$ 964.5	-3.5%	\$ 899.5	\$ 948.0	-5.1%
Special	254.3	252.0	0.9%	196.7	201.9	-2.6%
Adult education	1.1	1.0	10.0%	0.6	0.6	0.0%
Other	4.6	7.5	-38.7%	4.6	7.5	-38.7%
Charter schools	5.7	4.9	16.3%	5.7	4.9	16.3%
Support Services:						
Administration	39.6	35.8	10.6%	39.6	35.8	10.6%
Attendance and health	28.8	27.1	6.3%	28.8	27.1	6.3%
Pupil transportation	81.5	74.7	9.1%	81.5	74.7	9.1%
Facilities services	26.1	14.7	77.6%	(174.7)	(157.1)	11.2%
Operation and maintenance	157.1	132.7	18.4%	157.2	132.7	18.5%
School nutrition services	43.8	40.1	9.2%	5.4	(13.1)	-141.2%
Technology	75.2	71.2	5.6%	72.6	68.8	5.5%
Interest on long-term debt	0.4	0.7	-42.9%	0.4	0.7	-42.9%
Total expenses	<u>\$ 1,649.4</u>	<u>\$ 1,626.9</u>	<u>1.4%</u>	<u>\$ 1,317.9</u>	<u>\$ 1,332.5</u>	<u>-1.1%</u>

The total costs of LCPS' programs for fiscal year 2023 were \$1,649.4 million, which represents an increase of \$22.5 million from fiscal year 2022. Some of the costs of governmental activities were paid by those who directly benefited from the programs (\$21.1 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$310.5 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 decreased \$33.3 million and special instruction expenses increased \$2.3 million from the prior fiscal year. LCPS' enrollment totals remained flat for fiscal year 2023..

The majority of LCPS' functional areas required general revenues to cover their operational costs. In fiscal year 2023, facilities services were self-supporting with program revenues exceeding program costs by \$174.7 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.

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, 2023, LCPS' governmental funds reported a combined fund balance of \$263.7 million, an increase of \$16.9 million, compared to an increase of \$19.9 million at June 30, 2022.

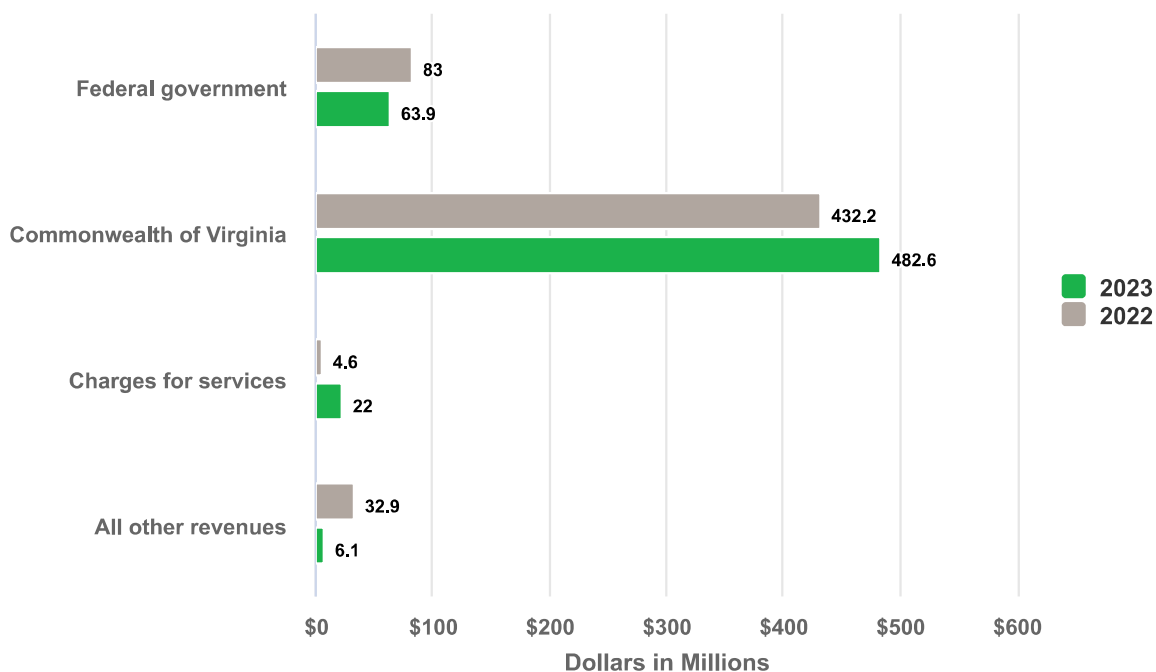
Of the combined fund balance, \$2.3 million was nonspendable and not available for future funding, \$4.4 million was restricted by fiscal agents, \$172.2 million was committed by various board actions, and \$75.8 million was assigned to specific contractual and financial planning purposes.

The total revenues for governmental funds in fiscal year 2023 totaled \$1,880.6 million, an 8.1 percent increase over fiscal year 2022. LCPS' primary source of revenue was intergovernmental (from the Federal government, State, and the County) and amounted to \$1,824.6 million in fiscal year 2023, a 7.2 percent increase over fiscal year 2022. All other revenue sources (e.g., charges for services, and recovered costs) totaled \$55.9 million, representing an increase of 49.2 percent over the previous fiscal year.

The following chart compares the total revenues by source for governmental funds (excluding revenue from the County and transfers in) for the fiscal years ended in June 30, 2023 and 2022:

REVENUES BY SOURCE (EXCLUDING COUNTY REVENUE AND TRANSFERS IN)

For the Fiscal Years Ended June 30



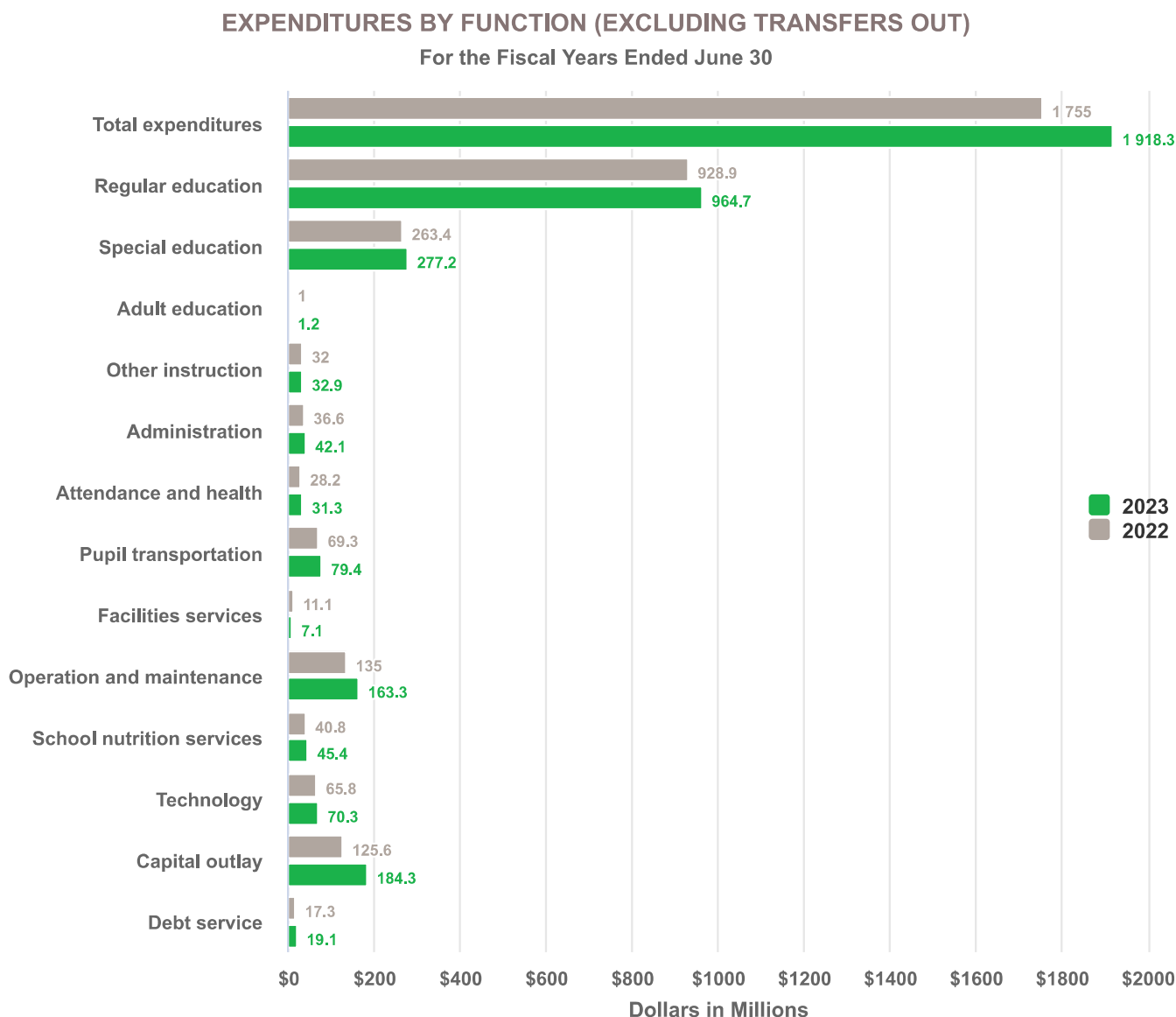
Several factors contributing to the net increase in total revenues during fiscal year 2023 include:

- Commonwealth of Virginia revenues increased \$50.4 million from fiscal year 2022. K-12 Standards of Quality (SOQ) revenues are state funded. SOQ basic aid increased \$16.8 million from fiscal year 2022 which is calculated based on enrollment. We also received a Rebenchmark Hold Harmless payment for fiscal year 2023 of \$8.7 million to cover losses due to COVID-19. The State allocates one and one-eighths percent of the six percent State sales tax to K-12 education based on the number of school age children in Loudoun County. Sales tax revenue decreased \$0.9 million as the state portion of sales tax on groceries that is dedicated to education was eliminated (one percent). The General Assembly funded a two-year hold harmless amount of \$6.6 million to help to offset the loss of the tax on groceries.
- Federal government revenues decreased \$19.1 million from fiscal year 2022. Federal revenues must be spent for specific purposes according to established statutes and regulations. Federal funds supplement the cost of providing instructional services for students in vocational, adult, special education and programs for educationally and/or economically disadvantaged students. School Nutrition Services' revenues decreased \$30.4 million as the reimbursable rates from the Federal Government

for breakfast and lunch were reduced in fiscal year 2023. LCPS continues to expend the COVID funds in fiscal year 2023 as we are working to close out these grants, thus, we received an increase of \$5.8 million from fiscal year 2022..

- Capital grants and contributions increased \$29.0 million from fiscal year 2022 due to an increase in revenue for construction from the County. LCPS is constructing an elementary and middle school which are scheduled to open Fall 2024. We also completed major costs in upgrading HVAC, replacing boilers, chillers and roof replacements.
- Charges for services increased by \$16.5 million. Federal funding to provide free meals for all students was not extended into fiscal year 2023. This resulted in a return to cafeteria sales being the primary revenue source for School Nutrition Services.
- Operating grants and contributions decreased \$8.3 million, or (7.0 percent), from fiscal year 2022.

The following chart compares the expenditures (excluding transfers out) for each LCPS' functional area for the fiscal years ended June 30, 2023 and 2022:



Excluding other financing uses, the total expenditures for governmental funds for the fiscal year ended June 30, 2023 were \$1,890.3 million, an increase of 8.75 percent over fiscal year 2022. Regular and special instruction continue to be LCPS' largest programs.

For the fiscal year ended June 30, 2023, regular instruction expenditures were \$964.7 million in comparison to \$928.9 million in fiscal year 2022. This represents an increase of \$35.8 million, or 3.85 percent.

Special instruction expenditures amounted to \$277.2 million, representing an increase of \$13.8 million, or 5.24 percent. The majority of regular and special instruction expenditures were primarily attributed to salaries and benefits.

Regular and special instruction had a \$49.6 million combined increase in expenditures in comparison to fiscal year 2022, due primarily to learning loss, and the opening of one new facility. 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 2023, expenditures totaled \$163.3 million. Operations and maintenance costs increased by \$28.3 million from the prior year.

Capital outlays for the total governmental funds increased by \$49.3 million. Capital outlay expenditures were \$184.3 million compared to \$125.6 million during fiscal year 2022. The increase of 39.25 percent from the prior year is due mainly to an increase in the number of projects under construction.

Other factors accounting for expenditures during fiscal year 2023 include:

- Expenditures for pupil transportation increased \$10.1 million, or 14.5 percent. This increase is due to opening one new facility, inflationary costs of fuel and returning to pre-pandemic activities i.e., after-school activities, athletic events and field trips. Administration, Attendance and Health, and Facilities services expenditures increased \$4.6 million or 6.1 percent from fiscal year 2022.
- There was an increase from fiscal year 2022 of \$4.5 million or 6.8 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 \$44.4 million. The General Fund's revenues increased \$101.5 million, or 7.0 percent, from the previous fiscal year which is mainly attributable to the contribution from the County of an increase of \$61.8 million, which is LCPS' primary revenue source. Also, we received an increase from the Commonwealth of Virginia of \$32.7 million. The K-12 SOQ revenues are calculated based on enrollment. In addition, LCPS received Rebenchmark Hold Harmless payment of \$8.7 million to help to cover losses due to COVID-19. Lastly, LCPS received \$6.6 million to backfill for the state portion of sales tax on groceries that is dedicated to education. Expenditures (excluding other financing uses) increased \$83.6 million, or 5.6 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 \$4.2 million from the prior fiscal year. The total fund balance at June 30, 2023 for the General Fund represents 16.8 percent of the total combined fund balance of all governmental funds. LCPS received an increase of \$101.6 million in general revenues from the previous fiscal year.

The Capital Improvements Fund, which accounts for LCPS' major capital projects, ended the current fiscal year with a \$144.5 million fund balance. All of the fund balance is committed to fund next year's operations. The Capital Improvement Fund's revenue of \$172.8 million is an increase of \$25.5 million, or 17.4 percent, from the previous year as we received an increase in funding for construction from the County. The expenditures of \$151.0 million for fiscal year 2023 is an increase of \$29.2 million from fiscal year 2022, or 24.0 percent. LCPS is constructing an elementary and middle school which are scheduled to open Fall 2024. We also completed major costs in upgrading HVAC, replacing boilers, chillers and roof replacements. The increase in revenues and the even larger increase in expenditures resulted in a net increase in fund balance of \$22.4 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' Superintendent Estimate of Needs (SEON) to the School Board in January every year. The School Board conducts a series of public hearings and workshop sessions before adopting the SEON. The School Board's SEON 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 2023, the amendment to the General Fund's budget was an increase to expenditures for the carryover of encumbrance obligations from fiscal year 2022. Actual revenues were less than the final amended budget by \$1.6 million due a shortfall in State Aid that was partially offset by additional revenues from Sales Tax and Tuition, Fees, and other local revenue sources. Actual expenditures were \$28.4 million less than amended budget, or 1.8 percent. The \$28.4 million variance between actual and amended budget for expenditures was a result of savings in: regular education of \$7.7 million; operation and maintenance of \$9.7 million; special education \$9.1 million; all other functions of \$2.0 million. These savings were due in part to the carryforward of encumbrance obligations into FY24 and certain cost mitigation measures enacted to account for the shortfall in State Aid.

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, 2023

GENERAL FUND BUDGET AND ACTUAL COMPARISON

For the Fiscal Year Ended June 30, 2023

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

	Original Budget	Final Budget	Actual	Variance from Final Budget
Total revenues	\$ 1,549.0	\$ 1,558.3	\$ 1,556.6	\$ (1.7)
Total expenditures	(1,561.0)	(1,605.3)	(1,576.9)	28.4
Total other financing uses	-	-	0.9	0.9
Net change in fund balances	\$ (12.0)	\$ (47.0)	\$ (19.4)	\$ 27.6

CAPITAL ASSETS AND LONG-TERM LIABILITIES

CAPITAL ASSETS

As of June 30, 2023, LCPS' investment in capital assets for governmental activities totaled \$3,204.6 billion. Accumulated depreciation and amortization totaled \$921.5 million resulting in capital assets, net of accumulated depreciation and amortization of \$2,283.1 billion. This represents a net increase in capital assets of \$106.9 million, or 4.7 percent, over the prior year, due to lease assets being reported this year.

Major capital asset events during fiscal year 2023 included the following:

- LCPS acquired \$19.7 million in equipment and machinery.
- Total asset disposals amounted to \$10.5 million.
- LCPS opened Elaine E. Thompson Elementary School in Fall 2022. Also, we spent \$7.0 million for replacement of roofs, \$6.2 million for replacement of chillers and boilers and \$1.4 million for HVAC upgrades. Total building costs incurred during fiscal year 2023 amounted to \$86.5 million.
- Costs associated with ongoing projects remained in construction in progress at the fiscal year end. These projects include cumulative construction expenditures of \$167.4 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, 2023 and 2022:

NET CAPITAL ASSETS

As of June 30, 2023

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

Capital Asset Category	Book Value (net of depreciation/amortization)*	
	2023	2022
Land	\$ 173.4	\$ 173.4
Construction in progress	186.0	133.7
Buildings	1,819.1	1,795.0
Right-to-use lease Buildings	3.3	1.3
Right-to-use lease Equipment	27.7	26.0
Right-to-use lease SBITA	9.4	-
Machinery and equipment	46.2	38.8
Improvements other than buildings	6.6	7.8
Infrastructure	78.7	-
Total	\$ 2,350.4	\$ 2,176.0

* Except for land and construction in progress.

LONG-TERM LIABILITIES

As of June 30, 2023, LCPS reported total outstanding debt of \$1,384.8 million, compared to \$1,115.8 million at June 30, 2022. Of this amount, \$822.3 million related to pension liability. OPEB Liabilities total \$423.7 million in 2023 as compared to \$347.5 million for 2022. \$50.0 million is related to leases and installment purchases. Compensated absences are \$58.4 million in 2023

as compared to \$58.7 million in 2022. LCPS' additions to installment purchases 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 LIABILITIES

As of June 30

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

	2023	2022
Compensated absences	\$ 58.4	\$ 58.7
Claims liabilities	21.9	23.3
Lease liability	27.4	27.7
Installment purchase liability	22.6	22.7
SBITA liability	8.6	-
OPEB liability	423.7	347.2
Net pension liability	822.3	636.3
Total	<u>\$ 1,384.9</u>	<u>\$ 1,115.9</u>

Further detail is provided below for the OPEB Liabilities:

OUTSTANDING OPEB LIABILITIES/(ASSETS)

As of June 30

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

	2023	2022
Virginia Local Disability Program	\$ -	\$ (0.3)
Group Life Insurance	48.4	44.9
Health Insurance Credit	107.3	105.9
OPEB liability	268.0	196.7
Total	<u>\$ 423.7</u>	<u>\$ 347.2</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

LCPS' enrollment totals remained flat for fiscal year 2023. Student enrollment K-12 is projected to remain relatively stable, under 83,000 students, over the next several fiscal years.

The primary source of revenue for LCPS comes from the County of Loudoun. Budgeted revenue in FY24 is \$88.4 million higher than FY23 or an 8.3% percent increase.

LCPS opened Elaine E. Thompson Elementary School in Fall 2022. In FY24, it will cost an average of \$19,791 for personnel, employee benefits, and materials to provide school-level instructional and support services for each student. 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.

The fiscal year 2024 approved operating budget is tied directly to the One LCPS: 2027 Strategic Plan for Excellence. There are significant investments in each of the four goals with an emphasis on the continuation of innovative programs, new support for students and compensation for exemplary staff. The approved operating budget includes an \$107.3 million, or 6.9 percent, increase in expenditures over the fiscal year 2023 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 Executive 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.

LOUDOUN COUNTY PUBLIC SCHOOLS
Statement of Net Position
June 30, 2023

Exhibit I

	Primary Government	Component Units		Total Reporting Entity
	Governmental Activities	Middleburg Community Charter School	Hillsboro Charter Academy	
ASSETS				
Cash and cash equivalents	9,561,406	\$ 954,977	\$ 1,530,891	\$ 12,047,274
Accounts receivable, net	31,615,451	-	2,500	31,617,951
Lease receivable	35,080	-	-	35,080
Due from County	460,171,997	-	-	460,171,997
Due from Primary Government	-	47,002	-	47,002
Due from component unit	58,865	-	-	58,865
Due from other governmental units	14,567,450	-	-	14,567,450
Inventories	1,983,035	-	-	1,983,035
Prepaid items	15,136,689	-	-	15,136,689
Deposits	4,840,000	-	-	4,840,000
Restricted cash on deposit with others	4,648,885	130,000	-	4,778,885
Nondepreciable capital assets	374,895,307	-	-	374,895,307
Depreciable capital assets, net of depreciation/amortization	1,908,222,080	-	-	1,908,222,080
OPEB Asset	79,148	-	-	79,148
Total assets	2,825,815,393	1,131,979	1,533,391	2,828,480,763
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to other postemployment benefits	260,312,384	-	-	260,312,384
Deferred outflows related to pensions	314,318,212	-	-	314,318,212
Total deferred outflows of resources	574,630,596	-	-	574,630,596
LIABILITIES				
Accounts payable	87,282,070	38,429	64,788	87,385,287
Accrued interest payable	624,732	-	-	624,732
Accrued liabilities	116,932,036	7,538	1,500	116,941,074
Due to Primary Government	-	16,867	25,076	41,943
Contract retainages	8,124,444	-	-	8,124,444
Other liabilities	3,205,720	-	-	3,205,720
Unearned revenues	4,682,121	-	-	4,682,121
Long-term liabilities:				
Due within one year:	42,242,268	-	-	42,242,268
Due in more than one year:	1,342,572,993	-	-	1,342,572,993
Total liabilities	1,605,666,384	62,834	91,364	1,605,820,582
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to leases	35,043	-	-	35,043
Deferred inflows related to other postemployment benefits	49,647,776	-	-	49,647,776
Deferred inflows related to pensions	166,494,138	-	-	166,494,138
Total deferred inflows of resources	216,176,957	-	-	216,176,957
NET POSITION				
Net investment in capital assets	2,190,242,112	-	-	2,190,242,112
Restricted for:				
Permanent fund-nonexpendable	20,620	-	-	20,620
Legal agreement	4,383,801	130,000	-	4,513,801
OPEB asset	79,148	-	-	79,148
Unrestricted	(616,123,033)	939,145	1,442,027	(613,741,861)
Total net position	\$ 1,578,602,648	\$ 1,069,145	\$ 1,442,027	\$ 1,581,113,820

See accompanying notes to the financial statements.



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LOUDOUN COUNTY PUBLIC SCHOOLS

Statement of Activities

For the Fiscal Year Ended June 30, 2023

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Instruction:				
Regular	\$ 931,177,738	\$ 2,274,675	\$ 29,419,533	\$ -
Special	254,349,334	-	57,619,038	-
Adult education	1,074,903	196,535	229,989	-
Other	4,550,907	-	-	-
Charter Schools	5,662,445	-	-	-
Total instruction	1,196,815,327	2,471,210	87,268,560	-
Support Services:				
Administration	39,612,930	-	-	-
Attendance and health	28,812,861	-	-	-
Pupil transportation	81,480,768	-	-	-
Facilities services	26,059,161	-	-	200,786,729
Operation and maintenance	157,242,103	-	-	-
School nutrition services	43,843,097	18,610,679	19,868,979	-
Total support services	377,050,919	18,610,679	19,868,979	200,786,729
Technology	75,171,152	-	2,604,722	-
Interest on long-term debt	382,629	-	-	-
Total Primary Government	\$ 1,649,420,027	\$ 21,081,889	\$ 109,742,261	\$ 200,786,729
Component Units:				
Middleburg Community Charter School	\$ 2,924,819	\$ -	\$ 3,206,147	\$ -
Hillsboro Charter Academy	\$ 3,081,472	\$ -	\$ 3,264,686	\$ -

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

Lease fund interest

Other

Total general revenues

Change in net position

Net position at beginning of year

Net position, end of year

See accompanying notes to the financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Primary Government	Component Units		Total Reporting Entity	Functions/Programs
Governmental Activities	Middleburg Community Charter School	Hillsboro Charter Academy		
				Primary Government:
				Instruction:
\$ (899,483,530)	\$ -	\$ -	\$ (899,483,530)	Regular
(196,730,296)	-	-	(196,730,296)	Special
(648,379)	-	-	(648,379)	Adult education
(4,550,907)	-	-	(4,550,907)	Other
(5,662,445)	-	-	(5,662,445)	Charter Schools
	-	-		
(1,107,075,557)	-	-	(1,107,075,557)	Total instruction
				Support Services:
(39,612,930)	-	-	(39,612,930)	Administration
(28,812,861)	-	-	(28,812,861)	Attendance and health
(81,480,768)	-	-	(81,480,768)	Pupil transportation
174,727,568	-	-	174,727,568	Facilities services
(157,242,103)	-	-	(157,242,103)	Operation and maintenance
(5,363,439)	-	-	(5,363,439)	School nutrition services
	-	-		
(137,784,532)	-	-	(137,784,532)	Total support services
(72,566,430)	-	-	(72,566,430)	Technology
(382,629)	-	-	(382,629)	Interest on long-term debt
\$ (1,317,809,148)	\$ -	\$ -	\$ (1,317,809,148)	Total Primary Government
				Component Units:
	\$ 281,328	\$ -	\$ 281,328	Middleburg Community Charter School
	\$ -	\$ 183,214	\$ 183,214	Hillsboro Charter Academy
				General revenues:
				Grants and contributions not restricted to specific purposes:
\$ 17,663,096	\$ -	\$ -	\$ 17,663,096	Federal government
421,647,360	-	-	421,647,360	Commonwealth of Virginia
1,077,364,838	-	-	1,077,364,838	County of Loudoun, Virginia
1,590,893	2,005	22,799	1,615,697	Revenue from the use of money and property
174,541	-	-	174,541	Lease fund interest
28,983,198	-	71,144	29,054,342	Other
	-	-		
1,547,423,926	2,005	93,943	1,547,519,874	Total general revenues
229,614,778	283,333	277,157	230,175,268	Change in net position
1,348,987,870	785,812	1,164,870	1,350,938,552	Net position at beginning of year
\$ 1,578,602,648	\$ 1,069,145	\$ 1,442,027	\$ 1,581,113,820	Net position, end of year

LOUDOUN COUNTY PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit III

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 500	\$ -	\$ 9,560,906	\$ 9,561,406
Accounts receivable, net	1,522,137	-	29,653,812	31,175,949
Lease receivable	35,080	-	-	35,080
Due from County	460,171,997	-	-	460,171,997
Due from component unit	58,865	-	-	58,865
Due from other governmental units	13,577,431	-	990,019	14,567,450
Interfund receivables	119,181	178,785,126	73,036,423	251,940,730
Inventories	981,692	-	1,001,343	1,983,035
Prepaid items	191,512	-	109,743	301,255
Restricted cash on deposit with others	-	-	4,648,885	4,648,885
Total assets	\$ 476,658,395	\$ 178,785,126	\$ 119,001,131	\$ 774,444,652
LIABILITIES				
Accounts payable	\$ 44,954,352	\$ 22,809,369	\$ 7,753,221	\$ 75,516,942
Accrued liabilities	108,300,409	3,042,319	5,589,308	116,932,036
Interfund payables	275,742,884	-	26,482,289	302,225,173
Contract retainages	-	8,124,444	-	8,124,444
Other liabilities	3,205,720	-	-	3,205,720
Unearned revenues	-	305,000	4,377,121	4,682,121
Total liabilities	432,203,365	34,281,132	44,201,939	510,686,436
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to Lease	35,043	-	-	35,043
Total deferred inflows of resources	35,043	-	-	35,043
FUND BALANCES:				
Nonspendable:				
Inventories	981,692	-	1,001,343	1,983,035
Prepaid items and deposits	191,512	-	109,743	301,255
Permanent fund-nonexpendable	-	-	20,620	20,620
Restricted for:				
Restricted by legal agreement	-	-	4,383,801	4,383,801
Committed to:				
Subsequent years' appropriations	-	-	(2,523,669)	(2,523,669)
Capital improvements	-	144,503,994	-	144,503,994
Capital asset preservation	-	-	30,172,977	30,172,977
Assigned to:				
General Fund contractual obligations	22,185,876	-	-	22,185,876
General Fund subsequent years' appropriations	12,000,000	-	-	12,000,000
Special revenue fund	-	-	41,634,377	41,634,377
Unassigned	9,060,907	-	-	9,060,907
Total fund balances	44,419,987	144,503,994	74,799,192	263,723,173
Total liabilities and fund balances	\$ 476,658,395	\$ 178,785,126	\$ 119,001,131	\$ 774,444,652

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2023

Exhibit IV

Fund balances - total governmental funds	\$	263,723,173
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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	374,895,307	
Depreciable/amortizable capital assets	2,829,736,395	
Accumulated depreciation and amortization	<u>(921,514,315)</u>	
Total		2,283,117,387

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	70,399,378	
Liabilities	<u>(33,618,426)</u>	
Total		36,780,952

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	(58,413,281)	
Installment purchase liabilities	(22,619,288)	
Lease liabilities	(27,376,586)	
SBITA liability	(8,598,269)	
Accrued interest on long-term debt	<u>(624,732)</u>	
Total		(117,632,156)

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	314,318,235	
Net pension liability	(822,263,095)	
Deferred inflows of resources related to pensions	<u>(166,494,138)</u>	
Total		(674,438,998)

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	260,312,384	
Net OPEB liability	(423,691,466)	
Net OPEB (asset) VLDP	79,148	
Deferred inflows of resources related to OPEB	<u>(49,647,776)</u>	
Total		(212,947,710)

Net position of governmental activities	\$	<u><u>1,578,602,648</u></u>
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See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit V

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2023

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Federal government	\$ 17,663,096	\$ -	\$ 46,192,902	\$ 63,855,998
Commonwealth of Virginia	459,418,762	-	23,202,452	482,621,214
County of Loudoun, Virginia	1,066,987,677	172,807,429	38,356,461	1,278,151,567
Charges for services:				
Tuition and fees	3,387,304	-	2,965	3,390,269
Food sales	-	-	18,610,679	18,610,679
Revenue from the use of money and property	1,615,451	-	-	1,615,451
Lease fund interest	-	-	174,541	174,541
Recovered costs	4,315,006	-	-	4,315,006
Other	3,246,159	-	24,585,687	27,831,846
Total revenues	<u>1,556,633,455</u>	<u>172,807,429</u>	<u>151,125,687</u>	<u>1,880,566,571</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	934,199,933	-	30,522,171	964,722,104
Special	256,237,592	-	20,968,755	277,206,347
Adult education	952,382	-	220,751	1,173,133
Other	5,039,872	-	-	5,039,872
Support services:				
Administration	42,052,275	-	1,500	42,053,775
Attendance and health	30,889,512	-	375,686	31,265,198
Pupil transportation	78,904,898	-	484,633	79,389,531
Facilities services	7,069,701	-	-	7,069,701
Operation and maintenance	136,496,078	-	26,801,004	163,297,082
School nutrition services	2,811,850	-	42,543,707	45,355,557
Technology	61,131,908	-	9,217,226	70,349,134
Capital outlay	12,498,213	150,833,259	20,968,258	184,299,730
Debt service:				
Principal	8,148,924	118,720	10,088,070	18,355,714
Interest	421,768	-	289,091	710,859
Total expenditures	<u>1,576,854,906</u>	<u>150,951,979</u>	<u>162,480,852</u>	<u>1,890,287,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,221,451)</u>	<u>21,855,450</u>	<u>(11,355,165)</u>	<u>(9,721,166)</u>
OTHER FINANCING SOURCES				
Installment purchases	-	-	10,000,000	10,000,000
Leases	4,240,436	-	-	4,240,436
Subscription based IT	11,783,524	561,248	-	12,344,772
Total other financing sources	<u>16,023,960</u>	<u>561,248</u>	<u>10,000,000</u>	<u>26,585,208</u>
Net change in fund balances	<u>(4,197,491)</u>	<u>22,416,698</u>	<u>(1,355,165)</u>	<u>16,864,042</u>
Fund balances at beginning of year	48,617,478	122,087,296	76,154,357	246,859,131
Fund balances at end of year	<u>\$ 44,419,987</u>	<u>\$ 144,503,994</u>	<u>\$ 74,799,192</u>	<u>\$ 263,723,173</u>

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2023

Exhibit VI

Net changes in fund balances - total governmental funds \$ 16,864,042

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	190,500,499	
Depreciation and amortization expense	<u>(83,238,880)</u>	
Total		107,261,619

Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	73,609
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Gains and losses on the disposal of capital assets are reported in the Statement of Activities. However, in governmental funds, the proceeds from sales are reported. The difference is the net depreciated value of the disposed capital assets.	(409,754)
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Principal payments on leases, SBITA and installment purchase liability 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.	18,355,714
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Proceeds from the issuance of long-term debt are reported as other financing sources in the governmental funds, increasing fund balance. In the government-wide statements, new debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This represents principal amounts of new leases.	(26,585,208)
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In the Statement of Activities, certain operating expenses (OPEB, pensions, and compensated absences) are measured by the amounts earned during the current year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

OPEB:		
OPEB contributions	49,399,854	
Cost of benefits earned net of employee contributions	<u>38,081,670</u>	87,481,524

Compensated absences	247,372
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Pensions:		
Pension contributions	145,272,173	
Cost of benefits earned net of employee contributions	<u>(114,976,386)</u>	30,295,787

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.	(3,641,696)
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Interest on 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.	(328,231)
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Change in net position of governmental activities	<u>\$ 229,614,778</u>
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See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VII

Statement of Net Position

Proprietary Funds

June 30, 2023

	Self- Insurance Fund
ASSETS	
Current assets:	
Accounts receivable, net	\$ 439,502
Interfund receivables	50,284,442
Prepaid items	14,835,434
Deposits	<u>4,840,000</u>
Total current assets	<u>70,399,378</u>
 Total assets	 <u>70,399,378</u>
LIABILITIES	
Current liabilities:	
Accounts payable	11,765,150
Claims liabilities	<u>21,853,276</u>
Total current liabilities	<u>33,618,426</u>
 Noncurrent liabilities:	
Total liabilities	 <u>33,618,426</u>
NET POSITION	
Unrestricted	<u>36,780,952</u>
Total net position	<u><u>\$ 36,780,952</u></u>

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

Exhibit VIII

	Self Insurance Fund
OPERATING REVENUES	
Charges for services	\$ 248,444,002
Total operating revenues	<u>248,444,002</u>
OPERATING EXPENSES	
Claims	229,244,898
Personnel services	4,357,397
Other services and charges	18,239,828
Materials and supplies	243,575
Total operating expenses	<u>252,085,698</u>
Net operating loss	(3,641,696)
Net position at beginning of year	40,422,648
Net position at end of year	<u>\$ 36,780,952</u>
See accompanying notes to the financial statements.	

LOUDOUN COUNTY PUBLIC SCHOOLS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

Exhibit IX

	Self Insurance Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 248,371,302
Payments to suppliers for goods and services	(8,432,633)
Claims paid	(230,714,509)
Payments to employees	(4,357,397)
Claims paid	(8,547,389)
Payments from interfund services	3,680,626
Net cash provided by operating activities	<u>-</u>
Cash at beginning of year	-
Cash at end of year	<u>\$ -</u>
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:	
NET OPERATING LOSS	<u>\$ (3,641,696)</u>
(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES	
Accounts receivable, net	(72,700)
Interfund receivables	3,680,626
Deposits	-
Prepaid items	(8,547,389)
Accounts payable	10,174,892
Accrued liabilities	(124,122)
Claims liabilities	(1,469,611)
Total adjustments	<u>3,641,696</u>
Net cash provided by operating activities	<u>\$ -</u>
See accompanying notes to the financial statements.	

LOUDOUN COUNTY PUBLIC SCHOOLS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

Exhibit X

	Other Postemployment Benefits Fund
ASSETS	
Investments at fair value-investments in pooled funds	\$ 255,450,883
Total assets	<u>255,450,883</u>
NET POSITION	
Net position restricted for other postemployment benefits	<u>\$ 255,450,883</u>
See accompanying notes to the financial statements.	

LOUDOUN COUNTY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

Exhibit XI

	Other Postemployment Benefits Fund
ADDITIONS	
Contributions:	
Employer	\$ 32,643,748
Plan Member	3,838,430
Rebates	1,865,931
Total contributions	<u>38,348,109</u>
Investment income:	
Interest	\$ 44,585
Net change in investments	12,392,810
Investment management fees	(118,685)
Total investment loss	<u>12,318,710</u>
Total additions	<u>50,666,819</u>
DEDUCTIONS	
Benefit payments	\$ 25,564,448
Administrative payments	783,661
Total deductions	<u>26,348,109</u>
Change in net position	24,318,710
Net position restricted for other postemployment benefits, at beginning of year	231,132,173
Net position restricted for other postemployment benefits, at end of year	<u><u>\$ 255,450,883</u></u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

Loudoun County Public Schools

June 30, 2023

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 (e.g., a component unit that is fiscally dependent on the primary government). Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). Accordingly, Middleburg Community Charter School (MCCS) and Hillsboro Charter Academy (HCA) meet those criteria as component units of LCPS. MCCS and HCA are included as discretely presented component units of the reporting entity for fiscal year ended June 30, 2023 because exclusion would render the financial statements misleading.

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.

Fiduciary-type component units are entities that are legally separate from LCPS, but are included within the fiduciary fund financial statements, where no distinction is made between component units and fiduciary funds. The OPEB Trust Fund is a fiduciary-type component unit established for the purpose of accumulating and investing assets to fund other postemployment benefits obligations.

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

LCPS reports the following additional fund types:

- **Internal Service Fund**—The Internal Service Fund is a proprietary fund, which accounts for the financing of goods and services provided by one department to other departments within LCPS on a cost reimbursement basis. 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, lease installment purchase liabilities, 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 classified as invested in capital assets, restricted or unrestricted. 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. The Statement of Cash Flows presents the cash inflows and outflows of the proprietary activities.

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 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 contributions made to the measurement date. Changes in deferred outflows 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, and contributions subsequent to the measurement date, which are recognized in the subsequent fiscal year. A deferred outflow of resources represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of the resources (expenses) until the future period.

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, leases, software subscriptions over one hundred thousand dollars, 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. LCPS is a lessor for a noncancellable lease of an asset and recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. A deferred inflow of resources represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of the resources (revenue or reduction of expenses) until the future 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 is held for small purchases. In the School Nutrition Service Fund, a change fund is 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 certificates 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 \$4,500,000 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, right-to-use lease assets, 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.

Right-to-use lease assets are measured at the present value of payments expected to be made during the lease term and amortized on a straight-line basis over their useful life.

Subscription based IT agreements (SBITA) are measured at the present value of payments expected to be made during the lease term and amortized on a straight-line basis over their useful life. Preliminary cost of software development (Stage 1) is expensed. Software in the application development stage (Stage 2) is capitalized. Amortization on software under development commences when software is operational. Any subsequent expenses and training costs are expensed (Stage 3).

Donated assets, generally, are recorded at acquisition value at the time of receipt.

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

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

<u>Capital Assets</u>	<u>Useful lives (Years)</u>
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, 2023.

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 480 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, 2023, \$30,742,701 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 \$19,544 per individual for FY 2023. As of June 30, 2023, \$20,202,662 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, 2023, \$7,467,917 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, 2023 .

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.

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

Pension liabilities and reported deferred outflows of resources and deferred inflows of resources related to pensions are reported at fiscal year end in the government-wide financial statements.

OPEB liabilities and reported deferred outflows of resources and deferred inflows of resources related to OPEB are reported at fiscal year end in the government-wide 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 and amortization, reduced by the outstanding liabilities to acquire these assets.

Total capital assets, net of depreciation/amortization	\$ 2,283,117,387
Lease assets liability	(27,376,586)
SBITA liability	(8,598,269)
Installment purchase liability	(22,619,288)
Total liabilities - Capital Improvements Fund	(34,281,132)
Net Investment in capital assets	<u>\$ 2,190,242,112</u>

The restricted net position represents the portion of net position that is legally restricted to be used for the nonexpendable portion (\$20,620) of the permanent fund and the portion legally restricted by external parties for leases (\$4,383,799.) Additionally, there are funds restricted for OPEB assets in the amount of (\$79,148).

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. LEASES

LCPS recognizes a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements related to its leases of buildings and equipment. LCPS recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, LCPS initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how LCPS determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. LCPS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, LCPS generally uses its estimated incremental borrowing rate as the discount rate for lease, unless an implied rate can be calculated.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that LCPS is reasonably certain to exercise.

LCPS monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

M. 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, 2023:

General Fund	\$ 22,185,876
Capital Improvements Fund	154,470,084
Nonmajor Funds (aggregate)	21,394,016
Total Governmental Funds	<u>\$ 198,049,976</u>

N. 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.

O. 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 LCPS' 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.

P. 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.

Q. 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.

R. NEW PRONOUNCEMENTS

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 has implemented this statement.

The GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 in June 2022. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections by providing more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. Management is in the process of completing its assessment on the impact of these requirements.

The GASB issued Statement No. 101, Compensated Absences, in June 2022. This Statement updates the recognition and measurement guidance. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. Management is in the process of completing its assessment on the impact of these requirements.

S. 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.

T. SUBSCRIPTION BASED INFORMATION TECHNOLOGY

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for

subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, LCPS is required to recognize a subscription liability and an intangible right-to-use subscription asset. The County has entered into various long-term noncancellable subscription arrangements for the use of the vendor's information technology software. Most of the subscriptions have initial terms of more than one year with up to seven years possible and contain renewals at LCPS option. The threshold for capitalization is \$100,000 or more. LCPS includes the renewal period in the subscription term when it is reasonably certain that the renewal option will be exercised. LCPS generally uses its incremental borrowing rate to discount the subscription payments.

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 \$500 petty cash on June 30, 2023 for small purchases on an emergency basis. The School Nutrition Services Fund held no petty cash in its change fund on June 30, 2023. Cash and temporary investments related to MCCS and HCA 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 \$9,560,906 cash and cash equivalents on June 30, 2023.

MCCS had \$954,977 cash and cash equivalents on June 30, 2023. Cash and temporary investments related to HCA are all highly liquid cash and cash equivalents. HCA had \$1,530,891 cash and cash equivalents on June 30, 2023.

2. RESTRICTED CASH ON DEPOSIT WITH OTHERS

Restricted cash on deposit with others represents unspent amounts from the lease proceeds held by third parties. The Lease Fund reported \$4,648,885 on June 30, 2023 as restricted cash on deposit with others, which represents unspent lease proceeds from its 2023 borrowings.

3. INVESTMENTS AT FAIR VALUE

LCPS' OPEB trust fund participates in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The 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, 2023, 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 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, 2021 was 5.39 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.

At June 30, 2023, LCPS' share in this pool was \$255,450,883 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, 2023 are as follows:

Fund	Federal Government	Commonwealth of Virginia	Total
General Fund	\$ 3,466,088	\$ 10,111,344	\$ 13,577,431
Nonmajor Governmental Funds	(216,379)	1,206,398	990,019
Total	<u>\$ 3,249,709</u>	<u>\$ 11,317,742</u>	<u>\$ 14,567,451</u>

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, 2023 are as follows:

Fund	Interfund Receivables	Interfund Payables
General Funds	\$ 119,181	\$ 275,742,884
Capital Improvements Fund	178,785,126	-
Lease Fund	-	823,605
School Nutrition Services Fund	36,563,641	-
Grant Fund	-	23,135,015
Capital Asset Preservation Fund	36,452,163	-
Debt Service Fund	-	2,523,669
Peabody Trust Fund	20,620	-
Proprietary-Self Insurance Fund	50,284,442	-
Total	<u>\$ 302,225,173</u>	<u>\$ 302,225,173</u>

D. INTERFUND TRANSFERS

There were no interfund transfers during fiscal year 2023.

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2023 was as follows:

Governmental Activities	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Non-depreciable capital assets:				
Land	\$ 173,433,737	\$ -	\$ -	\$ 173,433,737
Construction in progress	133,742,536	167,390,316	(99,671,282)	201,461,570
Total non-depreciable capital assets	307,176,273	167,390,316	(99,671,282)	374,895,307
Depreciable capital assets				
Building	2,506,455,565	86,461,383	-	2,592,916,948
Machinery and equipment	166,053,035	19,721,392	(10,486,590)	175,287,837
Improvements other than buildings	13,614,629	9,740	-	13,624,369
Infrastructure	1,121	78,350	-	79,471
Total depreciable capital assets	2,686,124,350	106,270,865	(10,486,590)	2,781,908,625
Right-to-use lease assets, being amortized:				
Buildings	1,656,526	2,200,224	-	3,856,750
Equipment	29,936,828	2,040,211	(350,792)	31,626,247
SBITA	-	12,344,772	-	12,344,772
Total amortizable capital assets	31,593,354	16,585,207	(350,792)	47,827,770
Total depreciable/amortizable capital assets	2,717,717,704	122,856,072	(10,837,382)	2,829,736,395
Accumulated depreciation:				
Buildings	(711,452,063)	(62,308,857)	-	(773,760,920)
Machinery and equipment	(127,217,635)	(12,288,298)	10,427,628	(129,078,305)
Improvements other than buildings	(5,777,543)	(1,228,321)	-	(7,005,864)
Infrastructure	(701)	(56)	-	(757)
Total accumulated depreciation	(844,447,942)	(75,825,532)	10,427,628	(909,845,846)
Accumulated amortization:				
Buildings	(311,679)	(520,602)	-	(832,281)
Equipment	(3,943,442)	(3,940,162)	-	(7,883,604)
SBITA	-	(2,952,584)	-	(2,952,584)
Total amortization	(4,255,121)	(7,413,348)	-	(11,668,469)
Depreciable capital assets, net	1,869,014,642	39,617,192	(409,754)	1,908,222,080
Total capital assets, net	\$2,176,190,915	\$ 207,007,508	\$ (100,081,036)	\$2,283,117,387
Capital asset related debt:				
Total capital assets, net				\$2,283,117,387
Less:				
Installment purchase liability				(22,619,288)
Lease assets liability				(27,376,586)
SBITA liability				(8,598,269)
Total Liabilities in capital improvements fund				(34,281,132)
Capital assets less related debt:				\$2,190,242,112

Depreciation and amortization are charged to governmental programs/functions as shown:

Governmental Activities	Depreciation Expense	Amortization Expense
Instruction:		
Regular	\$ 45,315,986	\$ 909,561
Special Education	12,959	-
Support services:		
Administration	729,271	24,776
Attendance and health	2,920	-
Pupil transportation	7,229,390	581,150
Facilities	19,172,457	-
Operation and maintenance	845,084	587,829
School nutrition services	169,936	-
Technology	2,347,529	5,310,032
Total	\$ 75,825,532	\$ 7,413,348

F. DEFERRED OUTFLOWS OF RESOURCES

A deferred outflow of resources represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of the resources (expenses) until the future period. At June 30, 2023, LCPS had deferred outflows of resources relating to other postemployment benefits and pensions in the amounts of \$260,312,384 and \$314,318,212 respectively.

G. DEFERRED INFLOWS OF RESOURCES

A deferred inflow of resources represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue or reduction of expenses) until that time. At June 30, 2023, LCPS had deferred inflows of resources relating to other postemployment benefits and pensions in the amounts of \$49,647,776 and \$166,494,138 respectively.

H. LONG-TERM LIABILITIES

The Internal service fund predominantly serves the governmental funds. Accordingly, the long-term liabilities are included as part of governmental activities.

Long-term liabilities related to leases and installment purchases 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, and the Grant 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, 2023:

Governmental Activities	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 58,660,653	\$ 753,334	\$ 1,000,706	\$ 58,413,281	\$ 4,476,561
Claims liabilities	23,322,887	224,921,614	226,391,225	21,853,276	20,383,665
Lease liability	27,657,292	4,240,436	4,521,142	27,376,586	4,462,494
SBITA liability	-	12,344,772	3,746,502	8,598,269	2,947,793
Installment purchase liability	22,707,358	10,000,000	10,088,070	22,619,288	9,971,755
Net OPEB liability	347,506,654	324,606,338	248,421,526	423,691,466	-
Net pension liability	636,300,637	737,803,645	551,841,187	822,263,095	-
Total	\$ 1,115,846,629	\$ 1,314,670,139	\$ 1,046,010,359	\$ 1,384,815,261	\$ 42,242,268
Net OPEB (asset) VLDP	\$ (308,852)	\$ 2,382,432	\$ 2,152,728	\$ (79,148)	\$ -

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

Governmental Activities	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Group Life Insurance	44,910,604	33,074,724	29,559,701	48,425,627	-
Health Insurance Credit	105,885,777	32,687,058	31,281,283	107,291,552	-
OPEB Trust	196,710,273	258,844,556	187,580,542	267,974,287	-
Total	\$ 347,197,802	\$ 324,606,338	\$ 248,421,526	\$ 423,691,466	\$ -
Virginia Local Disability Program	\$ (308,852)	\$ 2,382,432	\$ 2,152,728	\$ (79,148)	\$ -

1. INSTALLMENT PURCHASE AGREEMENT

LCPS entered into an installment purchase agreement for school buses, other vehicles, computers and telecommunications equipment.

The installment purchase agreements for this equipment include the following principal interest payments to maturity as of June 30, 2023:

Year Ending June 30	Principal	Interest
2024	\$ 9,971,755	\$ 406,438
2025	7,511,437	251,784
2026	2,533,091	141,756
2027	2,603,005	71,843
Total	\$ 22,619,288	\$ 871,821

The following schedule lists the lease installment purchase at June 30, 2023 by individual items:

Date Issued	Final Maturity	Interest Rate	Issue Amount	Balance at June 30, 2023	Type of Project Financed (the assets acquired secured the related installment purchase)
8/6/2019	8/6/2023	1.82%	\$ 10,000,000	\$ 2,568,153	\$0.6M for vehicles; \$9.4M for computers and equipment
8/6/2020	8/6/2024	1.03%	10,000,000	5,051,235	\$0.5M for vehicles; \$9.5M for technology and equipment
8/6/2021	8/6/2024	0.63	10,000,000	4,999,900	\$2.8M for vehicles; \$7.2M for computers and equipment
8/5/2022	8/5/2026	2.76%	10,000,000	10,000,000	\$2.8M for vehicles; \$7.2M for computers and equipment
			<u>\$ 40,000,000</u>	<u>\$ 22,619,288</u>	

2. LEASE PAYABLE

This note provides information for leases where LCPS is a lessee. For leases where LCPS is a lessor, see Leases Receivable.

LCPS is obligated under leases covering certain office space, machinery and IT equipment that expire at various dates during the next 19 years.

LCPS has entered into various lease agreements as lessee primarily for office space, land and office equipment. Most leases have initial terms of up to 20 years, and contain one or more renewals at our option, generally for three or five year periods. We have included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. LCPS leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For LCPS transportation equipment leases, variable payments include those for property taxes and mileage. For office space leases that include variable payments, those include payments for LCPS' proportionate share of the building's property taxes, insurance, and common area maintenance. LCPS' lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in LCPS' leases is not readily determinable, LCPS utilizes its incremental borrowing rate to discount the lease payments.

Amounts recognized in the statement of net position

The Statement of Net Position shows the following amounts relating to leases:

<u>Right-to-use assets</u>	<u>Governmental Activities</u>
Buildings	\$ 3,024,469
Equipment	\$ 23,742,643
Total Right-to-use assets, net	<u>\$ 26,767,112</u>

<u>Lease liability</u>	<u>Governmental Activities</u>
Current	\$ 4,462,494
Non-current	22,914,092
Total Lease liability	<u>\$ 27,376,586</u>

The future principal and interest lease payments as of June 30, 2023, were as follows:

<u>Fiscal year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,462,494	\$ 397,997
2025	3,178,387	349,023
2026	1,647,889	318,107
2027	1,529,386	291,484
2028	1,498,705	266,796
2029-2033	7,467,469	940,403
2034-2038	6,581,392	363,096
2039-2043	1,010,864	6,890
Total	<u>\$ 27,376,586</u>	<u>\$ 2,933,797</u>

3. SUBSCRIPTION LIABILITY

This note provides information for subscriptions where LCPS is a government.

LCPS is obligated under SBITA covering certain IT subscriptions that expire at various dates during the next 5 years.

LCPS has entered into various subscription agreements as a government, primarily for IT subscriptions. Most subscriptions have initial terms of up to 5 years, and contain one or more renewals at our option, generally for one or three year periods. We have included these renewal periods in the subscription term when it is reasonably certain that we will exercise the renewal option. LCPS subscriptions generally do not include termination options for either party to the subscription contracts or restrictive financial or other covenants. LCPS' subscription arrangements do not contain any material residual value guarantees. As the interest rate implicit in LCPS' subscriptions is not readily determinable, LCPS utilizes its incremental borrowing rate to discount the subscription payments.

Amounts recognized in the statement of net position

The Statement of Net Position shows the following amounts relating to leases:

<u>Right-to-use assets</u>	Governmental Activities
SBITA	\$ 9,392,188
Total Right-to-use assets, net	<u>\$ 9,392,188</u>

<u>Subscription based IT liability</u>	Governmental Activities
Current	\$ 2,947,793
Non-current	5,650,477
Total Subscription based IT liability	<u>\$ 8,598,269</u>

The future principal and interest SBITA payments as of June 30, 2023, were as follows:

<u>Fiscal year</u>	Governmental Activities	
	Principal	Interest
2024	\$ 2,947,793	\$ 248,360
2025	1,651,589	164,586
2026	1,175,012	116,443
2027	1,220,329	82,258
2028	1,109,115	46,754
2029-2033	494,432	14,478
Total	<u>\$ 8,598,269</u>	<u>\$ 672,879</u>

4. LEASE RECEIVABLE

LCPS leases out its buildings and land. Most leases have initial terms of up to 20 years, and contain one or more renewals at our option, generally for three- or 5-year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. LCPS' lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in LCPS leases is not readily determinable, LCPS utilizes its incremental borrowing rate to discount the lease payments.

Although LCPS is exposed to changes in the residual value at the end of the current leases, LCPS typically enters into new leases and therefore will not immediately realize any reduction in residual value at the end of these leases.

5. 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.

6. CONSTRUCTION COMMITMENTS

At June 30, 2023, LCPS had contractual commitments in the amount of \$154,470,084 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 2023.

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 an internal service fund 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 costs, 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).

The cyber risk liability insurance carries a \$1,000 deductible per occurrence and the educator's legal liability carries a \$5,000 deductible per occurrence.

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 have 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 2022	
Unpaid claims beginning of fiscal year	\$ 5,236,156
Incurred claims (including IBNR)	3,896,229
Claim payments	(3,437,345)
Unpaid claims end of fiscal year	<u>\$ 5,695,040</u>
Fiscal Year 2023	
Unpaid claims beginning of fiscal year	\$ 5,695,040
Incurred claims (including IBNR)	2,970,525
Claim payments	(2,910,189)
Unpaid claims end of fiscal year	<u>\$ 5,755,376</u>

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

LCPS has purchased stop loss insurance from Connecticut General Life Insurance Company (CIGNA) limiting claims against the self-insurance program to \$600,000 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 2022	
Unpaid claims beginning of fiscal year	\$ 12,888,300
Incurred claims (including IBNR)	214,029,548
Claim payments	(209,290,001)
Unpaid claims end of fiscal year	<u>\$ 17,627,847</u>
Fiscal Year 2023	
Unpaid claims beginning of fiscal year	\$ 17,627,847
Incurred claims (including IBNR)	221,951,089
Claim payments	(223,481,036)
Unpaid claims end of fiscal year	<u>\$ 16,097,900</u>

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

LCPS offers three (3) health plan options to active employees: A High Deductible Health Plan with Health Savings Accounts (HDHP), a Point of Service (POS) Plan and an Open Access Plus (OAP) Plan. Non-Medicare eligible retirees may also choose from the POS and OAP Plans. A Medicare Supplement Plan is offered to Medicare-eligible retirees/dependents. All plan designs and premiums for employees and retirees are evaluated every fiscal year. Coverage levels are Employee Only, Employee Plus Child, Employee Plus Spouse and Family.

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

C. 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 decisions 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, 2023, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and beneficiaries entitled to benefits	2,279
Active plan members	4,796
Total	<u>7,075</u>

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	\$ 43,287,716	\$ 29,302,487
Net difference between projected and actual earnings on LCPS OPEB Trust plan investments	17,248,514	-
Changes in Assumptions	150,895,603	5,554,026
Total	<u>\$ 211,431,833</u>	<u>\$ 34,856,513</u>

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

Year Ended June 30,	
2024	\$ 37,312,378
2025	36,614,755
2026	42,410,177
2027	32,950,632
2028	27,287,378
Total	<u>\$ 176,575,320</u>

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 \$28,567,000 per year. During fiscal year 2023, LCPS contributed \$32,643,748 to the OPEB Trust Fund, which included \$20,643,748 for current costs and an additional \$12,000,000 to prefund benefits.

LCPS participates in the Virginia Pooled OPEB Trust Fund (Trust Fund) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACo). 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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.19%. 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 of 2.75%, 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
Core Bonds	7.00%	2.58%
Core Plus	38.00%	2.89%
Liquid Absolute Return	5.00%	3.25%
U.S. Large Cap Equity	16.00%	7.17%
U.S. Small Cap Equity	7.00%	8.61%
international Developed Equity	9.00%	8.06%
Emerging Market Equity	4.00%	9.33%
Long/Short Equity	4.00%	5.77%
Core Real Estate	10.00%	6.54%
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 \$28,567,000 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, 2023 is \$267,974,287, an increase of \$71,264,014 from the prior valuation NOL of \$196,710,273 as of June 30, 2022. The difference between the actual and expected Net OPEB Liability was the net effect of several factors:

- Combined actuarial experience losses increased the NOL by \$15,089,453. These were comprised of \$13,180,233 in losses due to differences between expected and actuarial experience on liabilities resulting from demographic changes and actual 2023 contributions and benefit payments that were different from expected and losses of \$1,909,220 due to difference between expected and actuarial earnings on investments.

As of June 30, 2023, the ratio of assets to the Total OPEB Liability (the funded ratio) is 48.80%. This is based on the market value of assets at this point in time.

The Annual OPEB Expense decreased to \$3,924,217 for the year ending June 30, 2023. The expense was \$32,939,989 for the year ending June 30, 2022.

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, 2022	\$ 427,842,446	\$ 231,132,173	\$ 196,710,273
Changes for the year:			
Service cost	7,934,379	-	7,934,379
Interest	25,536,318	-	25,536,318
Changes of benefit terms	(52,792,089)	-	(52,792,089)
Difference between expected and actual experience	13,180,233	-	13,180,233
Changes of assumptions	122,367,631	-	122,367,631
Contributions-employer	-	32,643,748	(32,643,748)
Net investment income	-	12,318,710	(12,318,710)
Benefit payments, including refunds of employee contributions	(20,643,748)	(20,643,748)	-
Net changes	95,582,724	24,318,710	71,264,014
Balances at June 30, 2023	\$ 523,425,170	\$ 255,450,883	\$ 267,974,287

The Net OPEB Liability was measured as of June 30, 2023 and 2022. 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, 2023.

Actuarial assumptions. The Total OPEB Liability was measured by an actuarial valuation as of June 30, 2023.

Inflation	2.75%
Salary Increases	Varies by service
Discount rate	6.00%
Healthcare cost trend rates:	
Non-Medicare Medical & Prescription Drug	7.00% graded to 4.50% over 10 years
Medicare Medical and Prescription Drug	5.00% graded to 4.50% over 10 years
Dental	4.00%
Vision	3.00%
Administrative Costs	3.00%
Mortality rates:	
Healthy Male	Pub-2010 Headcount-Weighted Teachers Healthy Annuitant, set forward one year, projected generationally with 75% of Scale MP-2020 from 2010
Healthy Female	105% of Pub-2010 Headcount-Weighted Teachers Healthy Annuitant, projected generationally with 75% of Scale MP-2020 from 2010
Disabled	110% of Pub-2010 Headcount-Weighted Non-Safety Disabled Retiree, projected generationally with 75% of Scale MP-2020 from 2010
Surviving Spouse	Pub-2010 Headcount-Weighted Teachers Contingent Survivor, projected generationally with 75% of Scale MP-2020 from 2010

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	<u>\$328,608,353</u>	<u>\$267,974,287</u>	<u>\$216,382,884</u>

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 Healthcare Cost	Current Healthcare Cost Trend Rate	1% Increase Healthcare Cost
Net OPEB Liability	<u>\$235,029,039</u>	<u>\$267,974,287</u>	<u>\$304,727,544</u>

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, 2022, 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	\$ 267,974,287
OPEB Expense	<u>3,924,217</u>
Deferred outflows of resources:	
Net difference between projected and actual earnings on OPEB plan investments	17,248,514
Changes of assumptions	150,895,603
Difference between expected and actual experience	43,287,716
Total deferred outflows of resources	<u>211,431,833</u>
Deferred inflows of resources:	
Net difference between projected and actual earnings	
Difference between expected and actual experience	29,302,487
Changes of assumptions	5,554,026
Total deferred inflows of resources	<u>\$ 34,856,513</u>

D. OPEB GROUP LIFE INSURANCE

1. BACKGROUND

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost sharing 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 fiduciary net 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 OPEB 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
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>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.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>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 \$8,722 as of June 30, 2023.</p>

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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$4,724,079 and \$4,312,461 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, LCPS reported a liability of \$48,425,627 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, LCPS' proportion was 4.0217% as compared to 3.8394% at June 30, 2021.

For the year ended June 30, 2023, LCPS recognized GLI OPEB expense of \$3,851,044. 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, 2023, 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	\$ 3,834,699	\$ 1,942,720
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,025,889
Changes in Assumptions	1,806,200	4,716,850
Changes in Proportion	6,363,955	10,654
Employer contributions subsequent to the measurement date	7,334,252	-
Total	<u>\$ 19,339,106</u>	<u>\$ 9,696,113</u>

Contributions of \$7,334,252 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, 2024."

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,	
2024	\$ 1,280,016
2025	952,809
2026	(1,095,808)
2027	1,152,910
2028	18,814
Total	<u>\$ 2,308,741</u>

5. ACTUARIAL ASSUMPTIONS

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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	4.00 %
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*

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% or rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Line of Duty Disability	No change
Salary Scale	No change
Discount Rate	No change

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, 2022, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	2,413,074
Employers' Net GLI OPEB Liability	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	65.71%

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 log-normal 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

*The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, 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 at the time, providing a median return of 7.11% including expected inflation of 2.50%.

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. Through the fiscal year ending June 30, 2022 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, 2022 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	\$70,464,957	\$48,425,627	\$30,614,834

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 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022 annual-report.pdf](http://varetire.org/pdf/publications/2022%20annual-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	\$ 44,133,625	\$ 4,292,002	\$ 48,425,627
OPEB Expense	3,558,007	293,037	3,851,044
Deferred outflows of resources:			
Changes in proportionate share	5,861,649	502,306	6,363,955
Changes of assumptions	1,646,115	160,085	1,806,200
Difference between expected and actual experience	3,494,827	339,872	3,834,699
Net difference between projected and actual			
Employer contributions subsequent to the measurement date	6,673,156	661,096	7,334,252
Total deferred outflows of resources	17,675,747	1,663,359	19,339,106
Deferred inflows of resources:			
Difference between expected and actual experience	1,770,535	172,185	1,942,720
Net difference between projected and actual			
earnings on OPEB plan investments	2,757,702	268,187	3,025,889
Changes of assumptions	4,298,792	418,058	4,716,850
Changes in proportion	6,115	4,539	10,654
Total deferred inflows of resources	\$ 8,833,144	\$ 862,969	\$ 9,696,113

E. OPEB HEALTH INSURANCE CREDIT PROGRAM-TEACHERS

1. BACKGROUND

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program (HIC) is a multiple-employer, cost-sharing plan. The Teacher Employee 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. The Teacher Employee HIC 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 HIC 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 HIC Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee 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 (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC 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 HIC OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> – For Teacher and other professional school employees who retire the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <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: <ul style="list-style-type: none"> ◦ \$4.00 per month, multiplied by twice the amount of service credit, or ◦ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>HIC Program Notes:</p> <ul style="list-style-type: none"> • The monthly HIC benefit cannot exceed the individual premium amount. • 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, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$10,073,870 and \$8,806,887 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, LCPS reported a liability of \$106,696,552 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, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At

June 30, 2022, LCPS' proportion of the VRS Teacher Employee HIC Program was 8.2176% as compared to 8.2176% at June 30, 2021.

For the year ended June 30, 2023, LCPS recognized VRS Teacher Employee HIC Program OPEB expense of \$11,847,854. 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, 2023, 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 Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 4,349,119
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	107,094
Changes in Assumptions	3,117,151	272,468
Changes in Proportion	13,496,260	4,298
Employer contributions subsequent to the measurement date	10,060,578	-
Total	<u>\$ 26,673,989</u>	<u>\$ 4,732,979</u>

\$10,060,578 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, 2024. 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,	
2024	\$ 2,995,244
2025	2,885,373
2026	2,412,998
2027	2,197,320
2028	1,018,711
Thereafter	370,786
Total	<u>\$ 11,880,432</u>

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, 2021, 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, 2022.

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:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disables Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MO-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2022 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	\$ 1,470,891
Plan Fiduciary Net Position	221,845
Teacher Employee net HIC OPEB Liability	<u>\$ 1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%

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 log-normal 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			2.50%
		*Expected arithmetic nominal return	7.83%

Inflation

* Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11% including expected inflation of 2.5%

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, 2022, 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, 2022 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	\$120,248,239	\$106,696,552	\$95,209,129

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 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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	
<p>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.</p> <p>Eligible employees of participating are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. 	
Benefit Amounts	
<p>The political subdivision's Retiree HIC Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <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. • <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:	
<ul style="list-style-type: none"> • The monthly HIC benefit cannot exceed the individual premium amount. • 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. • 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, 2021 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	295
Inactive members:	
Vested inactive members	18
Inactive members active elsewhere in VRS	
Total inactive members	313
Active members	1,945
Total covered employees	2,258

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, 2023 was 0.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$127,231 and \$129,986 for the years ended June 30, 2023 and June 30, 2022, respectively.

5. NET HIC OPEB LIABILITY

The LCPS' net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

6. ACTUARIAL ASSUMPTIONS

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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:

Pub-2010 Amount Weighted Safety Employee Rates Employee Rates projected generationally: 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates, projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors: Pub-20210 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females forward 2 years.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

7. LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on the System's 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 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2022, 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, 2022, 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, 2021	\$ 2,724,824	\$ 2,316,985	\$ 407,839
Changes for the year:			
Service cost	50,515	-	50,515
Interest	182,455	-	182,455
Difference between expected and actual experience	(77,161)	-	(77,161)
Assumption Changes	212,898	-	212,898
Contributions-employer	-	147,584	(147,584)
Net investment income	-	2,469	(2,469)
Benefit payments	(144,601)	(144,601)	-
Administrative expenses	-	(4,073)	4,073
Other changes	-	35,566	(35,566)
Net changes	224,106	36,945	187,161
Balances at June 30, 2022	\$ 2,948,930	\$ 2,353,930	\$ 595,000

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	\$946,682	\$595,000	\$298,570

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

For the year ended June 30, 2023, LCPS recognized HIC Program OPEB expense of 63,106. At June 30, 2023, 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	\$ 26,123	\$ 68,085
Net difference between projected and actual earnings on Political HIC OPEB plan investments	-	54,658
Changes in Assumptions	231,393	-
Changes in proportionate share	-	6,349
Employer contributions subsequent to the measurement date	128,596	-
Total	\$ 386,112	\$ 129,092

\$128,596 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, 2024.

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,		
2024	\$	22,142
2025		24,874
2026		(4,896)
2027		59,569
2028		23,208
Thereafter		3,527
Total	\$	<u>128,424</u>

12. HIC PROGRAM PLAN DATA

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022 annual-report.pdf](http://varetire.org/pdf/publications/2022%20annual-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 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-Health Insurance Credit (HIC)		
	Teachers	Political Subdivision	Combined Totals
Net OPEB liability	\$106,696,552	\$595,000	\$107,291,552
OPEB Expense	11,847,854	63,106	11,910,960
Deferred outflows of resources:			
Changes in proportion and difference between employer contributions and proportionate share of contributions	13,496,260	-	13,496,260
Change of assumptions	3,117,151	231,393	3,348,544
Difference between expected and actual experience	-	26,123	26,123
Employer contributions subsequent to the measurement date	10,060,578	128,596	10,189,174
Total deferred outflows of resources	26,673,989	386,112	27,060,101
Deferred inflows of resources:			
Difference between expected and actual experience	4,349,119	68,085	4,417,204
Net difference between projected and actual earnings on OPEB plan investments	107,094	54,658	161,752
Changes of assumptions	272,468	-	272,468
Changes in proportion and difference between employer contributions and proportionate share of contributions	4,298	6,349	10,647
Total deferred inflows of resources	\$4,732,979	\$129,092	\$4,851,424

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 (VLDP) OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB, and the Teacher Employee VLDP OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee VLDP; and the additions to/deductions from the VRS Teacher Employee VLDP'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 VLDP. 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 VLDP.

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>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</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><u>Short-Term Disability –</u></p> <ul style="list-style-type: none"> 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. <p><u>Long-Term Disability –</u></p> <ul style="list-style-type: none"> 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.
<p>VLDP Notes:</p> <ul style="list-style-type: none"> 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 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, 2023, 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, 2021. 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 \$1,481,306 and \$1,099,348 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, LCPS reported an asset of -\$39,754 for its proportionate share of the VRS Teacher Employee VLDP Net OPEB Asset. The Net VRS Teacher Employee VLDP OPEB Liability/(asset) was measured as of June 30, 2022 and the total VRS Teacher Employee VLDP OPEB Liability/(asset) used to calculate the Net VRS Teacher Employee VLDP OPEB Liability/(asset) was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. LCPS' proportion of the Net VRS Teacher Employee VLDP OPEB Liability/(asset) 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, LCPS' proportion of the VRS Teacher Employee VLDP was 35.3575% as compared to 34.7234% at June 30, 2021.

For the year ended June 30, 2023, LCPS recognized VRS Teacher Employee VLDP OPEB expense of \$1,015,705. 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, 2023, 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	\$ -	\$ 11,058
Difference between expected and actual experience	468,844	120,617
Changes in Assumptions	118,585	-
Changes in Proportion	17,024	2,803
Employer contributions subsequent to the measurement date	1,469,259	-
Total	<u>\$ 2,073,712</u>	<u>\$ 134,478</u>

\$1,469,259 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, 2024. 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,	
2024	\$ 32,936
2025	33,267
2026	25,659
2027	80,769
2028	45,922
Thereafter	251,422
Total	<u>\$ 469,975</u>

5. ACTUARIAL ASSUMPTIONS

The total Teacher Employee VLDP OPEB liability/(asset) for the VRS Teacher Employee VLDP was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation – Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	6.75%, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

6. NET TEACHER EMPLOYEE VLDP OPEB LIABILITY/(ASSET)

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

As of June 30, 2022, 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/(asset)	\$ 7,207
Plan Fiduciary Net Position	7,320
Teacher Employee net VLDP OPEB Liability/(asset)	<u>\$ (113)</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	101.57%

The total Teacher Employee VLDP OPEB liability/(asset) 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

** The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 7.11% including expected inflation of 2.50%*

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, 2022, 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, 2022, 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/(asset).

9. SENSITIVITY OF LCPS' PROPORTIONATE SHARE OF THE TEACHER EMPLOYEE VLDP NET OPEB LIABILITY/ (ASSET) 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/(asset) using the discount rate of 6.75%, as well as what the school division's proportionate share of the net VLDP OPEB liability/(asset) 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/(asset)	\$288,010	-\$39,754	\$(323,232)

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 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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 (VLDP) is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee VLDP OPEB liability/asset, 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
<p>Eligible Employees</p> <p>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</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> • 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.
<p>Benefit Amounts</p> <p>The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><u>Short-Term Disability</u></p> <ul style="list-style-type: none"> • 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 <p><u>Long-Term Disability</u></p> <ul style="list-style-type: none"> • 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.
<p>VLDP Notes:</p> <ul style="list-style-type: none"> • 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, 2023 was 0.84% 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, 2021. 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 \$349,620 and \$212,340 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the LCPS reported a liability (asset) of -\$39,394 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, 2022, 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 6.7003% as compared to 6.3616% at June 30, 2021.

For the year ended June 30, 2023, the political subdivision recognized VRS Political Subdivision Employee VLDP OPEB expense of \$218,019. 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, 2023, 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	\$ 55,387	\$ 84,296
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB plan investments	-	172
Changes in Assumptions	1,508	14,133
Changes in Proportion	7,140	-
Employer contributions subsequent to the measurement date	343,597	-
Total	<u>\$ 407,632</u>	<u>\$ 98,601</u>

\$343,597 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, 2024.

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,	
2024	\$ (424)
2025	(1,779)
2026	(17,576)
2027	2,777
2028	(2,070)
Thereafter	(15,494)
Total	<u>\$ (34,566)</u>

5. ACTUARIAL ASSUMPTIONS

The total Political Subdivision Employee VLDP OPEB liability/(asset) for the VRS Political Subdivision Employee VLDP was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5%
Salary increases, including inflation –	
Political Subdivision Employees	3.5% – 5.35%
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:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 year; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rate for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changes final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service year decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

6. NET POLITICAL SUBDIVISION EMPLOYEE VLDP OPEB LIABILITY/(ASSET)

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, 2022, 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	\$ 7,360
Plan Fiduciary Net Position	7,948
Political Subdivision Employee net VLDP OPEB Liability	<u>\$ (588)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability	107.99%

The total Political Subdivision Employee VLDP OPEB liability/(asset) 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 log-normal 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
	Inflation		2.50%
	*Expected arithmetic nominal return		<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at this time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2022, 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, 2022, 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/(ASSET) 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/(asset)	<u>\$ 4,175</u>	<u>\$ (39,394)</u>	<u>\$ (77,225)</u>

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 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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/(asset)	\$ (39,754)	\$ (39,394)	\$ (79,148)
OPEB Expense	1,015,705	218,019	1,233,724
Deferred outflows of resources:			
Changes in proportion and difference between employer contributions and proportionate share of contributions	17,024	7,140	24,164
Changes of assumptions	118,585	1,508	120,093
Difference between expected and actual experience	468,844	55,387	524,231
Employer contributions subsequent to the measurement date	1,469,259	343,597	1,812,856
Total deferred outflows of resources	<u>2,073,712</u>	<u>407,632</u>	<u>2,481,344</u>
Deferred inflows of resources:			
Difference between expected and actual experience	120,617	84,296	204,913
Net difference between projected and actual earnings on OPEB plan investments	11,058	172	11,230
Changes of assumptions	-	14,133	14,133
Changes in proportion	2,803	-	2,803
Total deferred inflows of resources	<u>\$ 134,478</u>	<u>\$ 98,601</u>	<u>\$ 233,079</u>

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/(asset)	\$ 267,974,287	\$ 48,425,627	\$ 107,291,552	\$ (79,148)	\$ 423,612,318
OPEB Expense	3,924,217	3,851,044	11,910,960	1,233,724	20,919,945
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	6,363,955	13,496,260	24,164	19,884,379
Net difference between projected and actual earnings on OPEB plan investments	17,248,514	-	-	-	17,248,514
Changes of assumptions	150,895,603	1,806,200	3,348,544	120,093	156,170,440
Difference between expected and actual experience	43,287,716	3,834,699	26,123	524,231	47,672,769
Employer contributions subsequent to the measurement date	-	7,334,252	10,189,174	1,812,856	19,336,282
Total deferred outflows of resources	211,431,833	19,339,106	27,060,101	2,481,344	260,312,384
Deferred inflows of resources:					
Difference between expected and actual experience	29,302,487	1,942,720	4,417,204	204,913	35,867,324
Net difference between projected and actual earnings on OPEB plan investments	-	3,025,889	161,752	11,230	3,198,871
Changes of assumptions	5,554,026	4,716,850	272,468	14,133	10,557,477
Changes in proportion	-	10,654	10,647	2,803	24,104
Total deferred inflows of resources	\$ 34,856,513	\$ 9,696,113	\$ 4,862,071	\$ 233,079	\$ 49,647,776

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 pages on tables:

RETIREMENT PLAN PROVISIONS-PROFESSIONAL PLAN

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.

PLAN 2

About Plan 2

Same as Plan 1.

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

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.

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.

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.

Eligible Members

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.

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.

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

Eligible Members

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

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

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.

Retirement Contributions

Same as Plan 1.

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

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.

Service Credit

Same as Plan 1.

Service Credit**Defined Benefit Component:**

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

Defined Contributions Component:

Under the defined contribution component, 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

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.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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%

Normal Retirement Age

Age 65.

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.

Calculating the Benefit

See definition under Plan 1

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility

Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1

Defined Contribution Component:

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

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component:

Not applicable.

Normal Retirement Age

Defined Benefit Component:

Same as Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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.

Earliest Reduced Retirement Eligibility:

Age 60 with at least five years (60 months) of service credit.

Earliest Reduced Retirement Eligibility:**Defined Benefit Component:**

Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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.

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.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

Cost-of-Living Adjustment (COLA) in Retirement***Defined Benefit Component:***

Same as Plan 2.

Defined Contribution Component:

Not applicable.

Eligibility:

Same as Plan 1 and Plan 2

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:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability

Exceptions to COLA Effective Dates:

Same as Plan 1

Exceptions to COLA Effective Dates:

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 ported 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, 2023, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$138,373,983 and \$132,321,596 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. The special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, LCPS reported a liability of \$806,938,333 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, LCPS' proportion was 8.16904% as compared to 7.96679% at June 30, 2021.

For the year ended June 30, 2023, LCPS recognized pension expense of \$85,128,517. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, 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	\$ -	\$ 55,641,588
Net difference between projected and actual earnings on pension plan investments	-	105,207,860
Changes of assumptions	76,078,030	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,826,544	-
Employer contributions subsequent to the measurement date	138,206,007	-
Total	<u>\$ 302,110,581</u>	<u>\$ 160,849,448</u>

\$138,206,007 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, 2024.

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

Year Ended June 30,	Amortization Amount
2024	\$ 9,875,954
2025	(7,364,256)
2026	(53,862,531)
2027	54,405,959
Total	<u>\$ 3,055,126</u>

c. Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	45,211,731
Employers' Net Pension Liability	<u>\$ 9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	82.61%

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.83%

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at this time, providing a median return of 7.11%, including expected inflation of 2.5%.

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, 2022, 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, 2022, 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	\$1,441,253,636	\$806,938,333	\$290,466,188

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 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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.

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

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.

PLAN 2

About Plan 2

Same as Plan 1.

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 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.

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.

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.

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.

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.

***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.

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.

Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

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

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

Calculating the Benefit

See definition under Plan 1.

Calculating the Benefit *Defined Benefit Component:*

See definition under Plan 1.

Defined Contribution Component:

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

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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%.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

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.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier *Defined Benefit Component* VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents:

The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees:

The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

Sheriffs and regional jail superintendents:

Same as Plan 1

Political subdivision hazardous duty employees:

Same as Plan 1.

Sheriffs and regional jail superintendents:

Not applicable.

Political subdivision hazardous duty employees:

Not applicable.

Defined Contribution Component:

Not applicable.

Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <i>Defined Benefit Component:</i> 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. <i>Defined Contribution Component:</i> 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.	<i>Defined Benefit Component:</i> 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. <i>Defined Contribution Component:</i> 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.	<i>Defined Benefit Component:</i> 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 <i>Defined Contribution Component:</i> 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%.	<i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable.

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.

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

Eligibility:

Same as Plan 1

Eligibility:

Same as Plan 1 and Plan 2

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:
- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- 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.

Exceptions to COLA Effective Dates:

Same as Plan 1

Exceptions to COLA Effective Dates:

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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	892
Inactive members:	
Vested inactive members	204
Non-vested inactive members	721
LTD	5
Inactive members active elsewhere in VRS	301
Total inactive members	1,231
Active members	1,945
Total covered employees	4,068

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 2023, was 7.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020.

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 \$6,898,190 and 5,337,319 for the years ended June 30, 2023 and June 30, 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rate for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rate for males set back 3 years; 9-% pf rate for females set back 3 years

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rate for males and females set forward 2 years

Mortality Improvement: Rates are projected generationally with Modified MO-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better for experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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.

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			2.50%
*Expected arithmetic nominal return			7.83%

* The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2023, 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, 2021, actuarial valuations, whichever was greater. From July 1, 2022, 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, 2021	\$ 210,244,086	\$ 208,127,543	\$ 2,116,543
Changes for the year:			
Service cost	6,378,766	-	6,378,766
Interest	14,346,139	-	14,346,139
actual experience	413,814	-	413,814
Contributions-employer	-	4,772,680	(4,772,680)
Contributions-employee	-	3,590,757	(3,590,757)
Net investment income	-	(309,996)	309,996
employee contributions	(8,174,912)	(8,174,912)	-
Administrative expenses	-	(127,766)	127,766
Other changes	-	4,825	(4,825)
Net changes	12,963,807	(244,412)	13,208,219
Balances at June 30, 2022	\$ 223,207,893	\$ 207,883,131	\$ 15,324,762

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	\$46,759,039	\$15,324,762	\$(10,084,893)

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

For the year ended June 30, 2023, LCPS recognized pension expense of \$7,329,864. At June 30, 2023, 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	\$ 2,773,272	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,644,690
Change in assumptions	2,635,188	-
Employer contributions subsequent to the measurement date	6,799,171	-
Total	\$ 12,207,631	\$ 5,644,690

Contributions of \$6,799,171 made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2024.

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

Year Ended June 30,	Amortization Amount
2024	\$ 1,433,967
2025	(695,813)
2026	(3,846,546)
2027	2,872,162
Total	\$ (236,230)

j. Net Pension Liability

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Financial Report. A copy of the 2022 VRS Annual Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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	\$ 806,938,333	\$ 15,324,762	\$ 822,263,095
Pension Expense	85,128,517	7,329,864	92,458,381
Deferred outflows of resources:			
Changes in proportion and difference between employer contributions and proportionate share of contributions	87,826,544	-	87,826,544
Net difference between projected and actual earnings on pension plan investments	-	-	-
Difference between expected and actual experience	-	2,773,272	2,773,272
Changes of assumptions	76,078,030	2,635,188	78,713,218
Employer contributions subsequent to the measurement date	138,206,007	6,799,171	145,005,178
Total deferred outflows of resources	302,110,581	12,207,631	314,318,212
Deferred inflows of resources:			
Difference between expected and actual experience	55,641,588	-	55,641,588
Net difference between projected and actual earnings on pension plan investments	105,207,860	5,644,690	110,852,550
Changes of assumptions	-	-	-
Total deferred inflows of resources	\$ 160,849,448	\$ 5,644,690	\$ 166,494,138

K. BUDGETS

Budgets are prepared and adopted on a basis consistent with GAAP. Annual appropriation resolutions and budgets are adopted for the General Fund, Lease Fund, School Nutrition Service Fund, Grant Fund and Debt Service Fund. The budget also included 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.

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
Budgetary Comparison Schedule - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2023

Exhibit XII

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	\$ 8,453,647	\$ 17,661,375	\$ 17,663,096	\$ 1,721
Commonwealth of Virginia	461,350,703	461,353,203	459,418,762	(1,934,441)
County of Loudoun, Virginia	1,067,759,336	1,067,759,336	1,066,987,677	(771,659)
Charges for services:				
Tuition and fees	3,515,434	3,515,434	3,387,304	(128,130)
Revenue from the use of money and property	1,111,892	1,111,892	1,615,451	503,559
Recovered costs	3,969,807	3,969,807	4,315,006	345,199
Other	2,888,333	2,885,833	3,246,159	360,326
Total revenues	<u>1,549,049,152</u>	<u>1,558,256,880</u>	<u>1,556,633,455</u>	<u>(1,623,425)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	935,259,980	941,894,263	934,199,933	7,694,330
Special	262,846,353	265,300,160	256,237,592	9,062,568
Adult education	1,223,506	1,291,128	952,382	338,746
Other	5,154,680	5,274,382	5,039,872	234,510
Support services:				
Administration	45,731,156	46,162,582	42,052,275	4,110,307
Attendance and health	32,348,933	32,486,832	30,889,512	1,597,320
Pupil transportation	75,960,814	77,733,080	78,904,898	(1,171,818)
Facilities services	8,086,667	9,826,877	7,069,701	2,757,176
Operation and maintenance	133,564,559	146,190,025	136,496,078	9,693,947
School nutrition services	1,459,980	3,196,599	2,811,850	384,749
Technology	58,008,440	69,256,058	61,131,908	8,124,150
Capital outlay	1,404,084	6,671,743	12,498,213	(5,826,470)
Principal	-	-	8,148,924	(8,148,924)
Interest	-	-	421,768	(421,768)
Total expenditures	<u>1,561,049,152</u>	<u>1,605,283,729</u>	<u>1,576,854,906</u>	<u>28,428,823</u>
OTHER FINANCING SOURCES				
Leases	-	-	4,240,436	4,240,436
Subscription Based IT	-	-	11,783,524	11,783,524
Total other financing sources	<u>-</u>	<u>-</u>	<u>16,023,960</u>	<u>16,023,960</u>
Net change in fund balances	(12,000,000)	(47,026,849)	(4,197,491)	42,829,358
Fund balances at beginning of year	<u>24,216,773</u>	<u>(50,476,823)</u>	<u>48,617,478</u>	<u>99,094,301</u>
Fund balances at end of year	<u>\$ 12,216,773</u>	<u>\$ (97,503,672)</u>	<u>\$ 44,419,987</u>	<u>\$ 141,923,659</u>

See accompanying notes to the required supplementary information

LCPS received all monies appropriated from 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, 2023*

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
2023	8.47571%	\$ 806,938,333	\$ 796,158,822	101.35%	82.61%
2022	8.16904%	634,184,094	726,702,816	87.27%	85.46%
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**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, 2023***

TOTAL PENSION LIABILITY	2015	2016	2017	2018	2019
Service cost	\$ 5,409,000	\$ 5,228,000	\$ 5,258,000	\$ 5,209,000	\$ 5,032,000
Interest	7,606,000	8,227,000	8,778,000	9,459,000	9,946,000
Difference between expected and actual experience	-	(902,000)	905,000	(37,000)	29,000
Changes of assumptions	-	-	-	(2,080,000)	-
Benefit payments, including refunds of employee contributions	(3,882,000)	(4,410,000)	(4,947,000)	(5,490,000)	(5,692,000)
Net change in total pension liability	9,133,000	8,143,000	9,994,000	7,061,000	9,315,000
Total pension liability, beginning of year	110,598,000	119,731,000	127,874,000	137,868,000	144,929,000
Total pension liability, end of year (a)	<u>\$ 119,731,000</u>	<u>\$ 127,874,000</u>	<u>\$ 137,868,000</u>	<u>\$ 144,929,000</u>	<u>\$ 154,244,000</u>
PLAN FIDUCIARY NET POSITION					
Contributions-employer	\$ 3,657,000	\$ 3,637,000	\$ 3,731,000	\$ 3,079,000	\$ 3,287,000
Contributions-employee	2,521,000	2,527,000	2,587,000	2,624,000	2,796,000
Net investment income	15,392,000	5,276,000	2,186,000	15,251,000	10,355,000
Benefit payments, including refunds of employee contributions	(3,882,000)	(4,410,000)	(4,947,000)	(5,490,000)	(5,692,000)
Administrative expense	(80,000)	(69,000)	(73,000)	(86,000)	(87,000)
Other	-	(2,000)	(1,000)	(13,000)	(9,000)
Net change in plan fiduciary net position	17,608,000	6,959,000	3,483,000	15,365,000	10,650,000
Plan fiduciary net position, beginning	96,556,000	114,164,000	121,123,000	124,606,000	139,971,000
Plan fiduciary net position, ending (b)	<u>\$ 114,164,000</u>	<u>\$ 121,123,000</u>	<u>\$ 124,606,000</u>	<u>\$ 139,971,000</u>	<u>\$ 150,621,000</u>
Net pension liability, ending (a)-(b)	\$ 5,567,000	\$ 6,751,000	\$ 13,262,000	\$ 4,958,000	\$ 3,623,000
Plan fiduciary net position as a percentage of the total pension liability	95.35%	94.72%	90.38%	96.58%	97.65%
Covered payroll	\$ 50,095,243	\$ 50,973,799	\$ 53,004,200	\$ 53,665,362	\$ 57,768,804
Net pension liability as a percentage of covered payroll	11.11%	13.24%	25.02%	9.24%	6.27%

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.

Exhibit XIV

2020	2021	2022	2023	TOTAL PENSION LIABILITY
\$ 5,330,056	\$ 5,625,101	\$ 5,848,757	\$ 6,378,766	Service cost
10,573,312	11,568,079	12,519,488	14,346,139	Interest
				Difference between expected and actual experience
5,812,334	4,094,215	4,000,688	413,814	Changes of assumptions
5,348,446	-	6,057,512	-	Benefit payments, including refunds of employee contributions
(6,392,665)	(7,072,355)	(7,312,524)	(8,174,912)	
20,671,483	14,215,040	21,113,921	12,963,807	Net change in total pension liability
154,243,642	174,915,125	189,130,165	210,244,086	Total pension liability, beginning of year
\$ 174,915,125	\$ 189,130,165	\$ 210,244,086	\$ 223,207,893	Total pension liability, end of year (a)
				PLAN FIDUCIARY NET POSITION
\$ 3,387,225	\$ 3,497,885	\$ 4,259,920	\$ 4,772,680	Contributions-employer
3,010,797	3,184,680	3,188,065	3,590,757	Contributions-employee
10,117,648	3,060,374	44,891,184	(309,996)	Net investment income
				Benefit payments, including refunds of employee contributions
(6,392,665)	(7,072,355)	(7,312,524)	(8,174,912)	Administrative expense
(96,958)	(102,475)	(108,411)	(127,766)	Other
(6,411)	(3,679)	4,272	4,825	
10,019,636	2,564,430	44,922,506	(244,412)	Net change in plan fiduciary net position
150,620,971	160,640,607	163,205,037	208,127,543	Plan fiduciary net position, beginning
\$ 160,640,607	\$ 163,205,037	\$ 208,127,543	\$ 207,883,131	Plan fiduciary net position, ending (b)
\$ 14,274,518	\$ 25,925,128	\$ 2,116,543	\$ 15,324,762	Net pension liability, ending (a)-(b)
				Plan fiduciary net position as a percentage of the total pension liability
91.84%	86.29%	98.99%	93.13%	
\$ 63,808,087	\$ 67,956,479	\$ 69,489,477	\$ 77,464,722	Covered payroll
				Net pension liability as a percentage of covered payroll
22.37%	38.15%	3.05%	19.78%	

LOUDOUN COUNTY PUBLIC SCHOOLS
Schedule of Employer Contributions
Virginia Retirement System-Pension
For the Fiscal Year Ended June 30, 2023

Exhibit XV

Professional Plan	Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	2023	\$ 138,373,983	\$ 138,206,007	\$ (167,976)	\$ 832,572,109	16.6%
	2022	132,321,596	132,321,596	-	796,158,822	16.62%
	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						
	2023	\$ 6,898,190	\$ 6,799,171	\$ (99,019)	\$ 90,885,246	7.48%
	2022	5,337,319	5,337,319	-	77,464,722	6.89%
	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.



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LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule of Changes in the Net OPEB Liability and Related Ratios with Investment Returns

LCPS OPEB Trust*

For the Fiscal Year Ended June 30, 2023

TOTAL OPEB LIABILITY	2017	2018	2019	2020
Service cost	N/A	\$ 7,710,000	\$ 5,783,010	\$ 5,580,255
Interest	N/A	18,800,379	17,077,102	17,614,339
Changes of benefit terms	N/A	(2,102,019)	-	-
Difference between expected and actual experience	N/A	13,574,790	4,481,330	48,770,039
Changes of assumptions	N/A	(3,470,322)	-	94,538,038
Benefit payments	N/A	(15,724,264)	(17,098,396)	(19,271,094)
Net change in total OPEB liability	N/A	18,788,564	10,243,046	147,231,574
Total OPEB liability, beginning of year	N/A	268,596,000	287,384,564	297,627,610
Total OPEB liability, end of year (a)	<u>\$ 299,301,000</u>	<u>\$ 287,384,564</u>	<u>\$ 297,627,610</u>	<u>\$ 444,859,184</u>
PLAN FIDUCIARY NET POSITION				
Contributions-employer	\$ 12,000,000	\$ 27,724,264	\$ 27,098,396	\$ 29,271,094
Net investment income	10,053,902	7,611,010	9,119,738	7,584,631
Benefit payments		(15,724,264)	(17,098,396)	(19,271,094)
Administrative expense	(500)	-	-	-
Other	(81,795)	-	-	-
Net change in plan fiduciary net position	21,971,607	19,611,010	19,119,738	17,584,631
Plan fiduciary net position, beginning	118,843,399	140,815,006	160,426,016	179,545,754
Plan fiduciary net position, ending (b)	<u>\$ 140,815,006</u>	<u>\$ 160,426,016</u>	<u>\$ 179,545,754</u>	<u>\$ 197,130,385</u>
Net OPEB Liability-OPEB Trust (ending) (a)-(b)	<u>\$ 158,485,994</u>	<u>\$ 126,958,548</u>	<u>\$ 118,081,856</u>	<u>\$ 247,728,799</u>
Plan Fiduciary Net position as a percentage of the Total OPEB liability	47.05%	55.82%	60.33%	44.31%
Covered-employee payroll (1)	\$ 522,745,000	\$ 460,995,350	\$ 468,583,742	\$ 453,623,652
Net OPEB liability as a percentage of covered-employee payroll	30.32%	27.54%	25.20%	54.61%

(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 2017	Fiscal Year Ending June 30 2018	Fiscal Year Ending June 30 2019	Fiscal Year Ending June 30 2020
Annual money-weighted rate of return, net of investment expense	8.09%	5.18%	5.51%	4.11%

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.

Exhibit XVI

2021	2022	2023	TOTAL OPEB LIABILITY
\$ 12,498,442	\$ 8,250,047	\$ 7,934,379	Service cost
26,997,794	24,910,466	25,536,318	Interest
-	-	(52,792,089)	Changes of benefit terms
(46,637,314)	(3,713,631)	13,180,233	Difference between expected and actual experience
(7,502,400)	-	122,367,631	Changes of assumptions
(15,007,398)	(16,812,744)	(20,643,748)	Benefit payments
(29,650,876)	12,634,138	95,582,724	Net change in total OPEB liability
444,859,184	415,208,308	427,842,446	Total OPEB liability, beginning of year
\$ 415,208,308	\$ 427,842,446	\$ 523,425,170	Total OPEB liability, end of year (a)
			PLAN FIDUCIARY NET POSITION
\$ 25,007,398	\$ 28,812,744	\$ 32,643,748	Contributions-employer
41,104,933	(29,103,145)	12,318,710	Net investment income
(15,007,398)	(16,812,744)	(20,643,748)	Benefit payments
-	-	-	Administrative expense
-	-	-	Other
51,104,933	(17,103,145)	24,318,710	Net change in plan fiduciary net position
197,130,385	248,235,318	231,132,173	Plan fiduciary net position, beginning
\$ 248,235,318	\$ 231,132,173	\$ 255,450,883	Plan fiduciary net position, ending (b)
\$ 166,972,990	\$ 196,710,273	\$ 267,974,287	Net OPEB Liability-OPEB Trust (ending) (a)-(b)
59.79%	54.02%	48.8%	Plan Fiduciary Net position as a percentage of the Total OPEB liability
\$ 398,195,610	\$ 390,237,676	\$ 407,110,734	Covered-employee payroll (1)
41.93%	50.41%	65.82%	Net OPEB liability as a percentage of covered-employee payroll

Fiscal Year Ending June 30 2021	Fiscal Year Ending June 30 2022	Fiscal Year Ending June 30 2023	
20.34%	-11.45%	5.19%	Annual money-weighted rate of return, net of investment expense

LOUDOUN COUNTY PUBLIC SCHOOLS
Schedule of Employer Contributions
LCPS OPEB Trust*
For the Fiscal Year Ended June 30, 2023

Exhibit XVII

OPEB Trust	Actuarial Valuation Date	Fiscal Year	Employer Annual Contribution
	6/30/2022	6/30/2023	\$ 32,643,748
	6/30/2020	6/30/2022	25,007,398
	6/30/2019	6/30/2021	29,271,094
	7/1/2017	6/30/2020	27,098,396
	7/1/2017	6/30/2019	27,724,264
	7/1/2015	6/30/2018	26,321,831
	7/1/2014	6/30/2017	24,740,087
	7/1/2013	6/30/2016	23,266,040
	7/1/2012	6/30/2015	17,668,922
	7/1/2011	6/30/2014	23,218,531

*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- Employee Payroll (2)	Contributions as a Percentage of Payroll
2023	N/A	\$ 32,643,748	N/A	\$ 407,110,734	8.02%
2022	N/A	25,007,398	N/A	398,195,610	6.28%
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%

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	2.75%
Salary Increases	Varies by service
Discount Rate	6.00%
Healthcare cost trend rates	
Non-Medicare Medical and Prescription Drug	7.00% graded to 4.50% over 10 years
Medicare Medical	5.00% graded to 4.50% over 10 years
Prescription Drug	9.50% graded to 4.50% over 10 years
Dental	4.00%
Vision	3.00%
Administrative Costs	3.00%

Mortality rates:

Healthy Male	Pub-2010 Headcount-Weighted Teachers Healthy Annuitant, set forward one year, projected generationally with 75% of Scale MP-2020 from 2010
Healthy Female	105% of Pub-2010 Headcount-Weighted Teachers Healthy Annuitant, projected generationally with 75% of Scale MP-2020 from 2010
Disabled	110% of Pub-2010 Headcount-Weighted Non-Safety Disabled Retiree, projected generationally with 75% of Scale MP-2020 from 2010
Surviving Spouse	Pub-2010 Headcount-Weighted Teachers Contingent Survivor, projected generationally with 75% of Scale MP-2020 from 2010

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
Schedule of Employer's Share of Net OPEB Liability
Virginia Retirement System-Group Life Insurance (GLI)
For the Fiscal Year Ended June 30, 2023*

Exhibit XVIII

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
	2023	3.67%	\$ 44,133,625	\$ 797,292,984	5.54%	67.21%
	2022	3.50%	40,986,660	726,824,504	5.64%	67.45%
	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						
	2023	0.36%	\$ 4,292,002	\$ 77,536,540	5.54%	67.21%
	2022	0.34%	3,923,944	69,583,180	5.64%	67.45%
	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
Schedule of Employer Contributions
Virginia Retirement System-Group Life Insurance (GLI)
For the Fiscal Year Ended June 30, 2023

Exhibit XIX

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
	2023	\$ 4,305,383	\$ 6,673,156	\$ 2,367,773	\$ 835,432,360	0.8%
	2022	3,935,671	3,935,671	-	797,292,984	0.49%
	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%
GLI-Political Subdivision						
	2023	\$ 418,696	\$ 661,096	\$ 242,400	\$ 91,174,213	0.73%
	2022	376,790	376,790	-	77,536,540	0.49%
	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%

See accompanying notes to the required supplementary information

Exhibit XX

LOUDOUN COUNTY PUBLIC SCHOOLS
Schedule of Employer's Share of Net OPEB Liability
Virginia Retirement System-Health Insurance Credit (HIC)-Teachers
For the Fiscal Year Ended June 30, 2023*

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
2023	8.22%	\$ 106,696,552	\$ 796,150,028	13.40%	9.95%
2022	8.22%	105,477,938	726,755,639	14.51%	9.95%
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**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, 2023*

	2017	2018
TOTAL HIC OPEB LIABILITY		
Service Cost	\$ -	\$ 68,371
Interest	-	139,537
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	-	(60,019)
Projected earnings on investments	-	-
Benefit Payments	-	(57,252)
	-	90,997
Net change in total HIC OPEB Liability	-	2,022,011
Total HIC OPEB liability - beginning	-	-
Total HIC OPEB liability - ending (a)	<u>\$ 299,301,000</u>	<u>\$ 2,113,008</u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 12,000,000	\$ 107,353
Net Investment income	10,053,902	163,092
Benefit Payments	-	(57,252)
Administrative Expense	(500)	(2,698)
Other	(81,795)	8,051
	21,971,607	218,546
Net change in plan fiduciary net position	118,843,399	1,385,442
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	<u>\$ 140,815,006</u>	<u>\$ 1,603,988</u>
Net OPEB Liability-HIC Political Subdivision	<u>\$ 158,485,994</u>	<u>\$ 509,020</u>
Plan Fiduciary Net position as a percentage of the Total OPEB liability	47.05%	75.91%
Covered Payroll	\$ 522,745,000	\$ 53,683,988
Net OPEB liability as a percentage of covered payroll	30.32%	0.95%

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 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.

Exhibit XXI

2019	2020	2021	2022	2023
\$ 62,353	\$ 63,900	\$ 68,131	\$ 70,444	\$ 50,515
143,395	151,076	159,417	169,692	182,455
-	-	48,577	-	-
23,315	44,121	8,201	(5,096)	(77,161)
-	63,797	-	43,313	212,898
-	-	-	-	-
(129,029)	(109,555)	(129,229)	(134,969)	(144,601)
100,034	213,339	155,097	143,384	224,106
2,113,008	2,213,004	2,426,343	2,581,440	2,724,824
<u>\$ 2,213,042</u>	<u>\$ 2,426,343</u>	<u>\$ 2,581,440</u>	<u>\$ 2,724,824</u>	<u>\$ 2,948,930</u>
\$ 116,631	\$ 121,225	\$ 129,062	\$ 129,986	\$ 147,584
111,147	109,411	36,025	482,701	2,469
(129,029)	(109,555)	(129,229)	(134,969)	(144,601)
(2,664)	(2,394)	(3,507)	(5,743)	(4,073)
(8,051)	(129)	(16)	-	35,566
88,034	118,558	32,335	471,975	36,945
1,603,988	1,694,117	1,812,675	1,845,010	2,316,985
<u>\$ 1,692,022</u>	<u>\$ 1,812,675</u>	<u>\$ 1,845,010</u>	<u>\$ 2,316,985</u>	<u>\$ 2,353,930</u>
<u>\$ 521,020</u>	<u>\$ 613,668</u>	<u>\$ 736,430</u>	<u>\$ 407,839</u>	<u>\$ 595,000</u>
76.46%	74.71%	71.47%	85.03%	79.82%
\$ 57,864,863	\$ 63,808,087	\$ 67,956,479	\$ 69,127,673	\$ 77,463,456
0.90%	0.96%	1.08%	0.59%	0.77%

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XXII

Schedule of Employer Contributions

Virginia Retirement System-Health Insurance Credit (HIC)

For the Fiscal Year Ended June 30, 2023

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
	2023	\$ 10,073,870	\$ 10,060,578	\$ (13,292)	\$ 832,551,278	1.21%
	2022	8,806,887	8,806,887	-	796,150,028	1.11%
	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%
HIC-Political Subdivision						
	2023	\$ 127,231	\$ 128,596	\$ 1,365	\$ 90,879,127	0.14%
	2022	129,986	129,986	-	77,463,456	0.17%
	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%

See accompanying notes to the required supplementary information

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XXIII

Schedule of Employer's Share of Net OPEB Liability/(Asset)

Virginia Retirement System-Virginia Local Disability Program (VLDP)

For the Fiscal Year Ended June 30, 2023*

<u>VLDP-Teachers</u>	<u>Date</u>	<u>Employer's Proportion of the Net OPEB Liability/ (Asset)</u>	<u>Employer's Proportionate Share of the Net OPEB Liability/ (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability/ (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
	2023	35.36%	\$ (39,754)	\$ 284,577,727	-0.01%	101.57%
	2022	34.72%	(244,455)	233,657,292	-0.10%	101.46%
	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%
 <u>VLDP-Political Subdivision</u>						
	2023	6.70%	\$ (39,394)	\$ 31,390,085	-0.13%	107.99%
	2022	6.36%	(64,397)	25,555,567	-0.25%	119.59%
	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, 2023

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
	2023	\$ 1,481,306	\$ 1,469,259	\$ 12,047	\$ 315,171,970	0.47%
	2022	1,099,348	1,099,348	-	284,577,727	0.39%
	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						
	2023	\$ 349,620	\$ 343,597	\$ 6,023	\$ 41,131,810	0.84%
	2022	212,340	212,340	-	31,390,085	0.68%
	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%

See accompanying notes to the required supplementary information

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, 2023

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changes final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2023 liabilities in this report were developed based on data as of June 30, 2022. 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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

- CHANGES OF BENEFIT TERMS** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.
- CHANGES OF ASSUMPTIONS** - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changes final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No Change



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Other Supplementary Information



Capital Improvements Fund

Nonmajor Governmental Funds

Component Units-Charter Schools

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



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LOUDOUN COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Capital Improvements Fund
For the Fiscal Year Ended June 30, 2023

Schedule 1

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	\$ 1,747,640,334	\$ 172,807,429	\$ 1,920,447,763	\$ 1,929,408,991
Other	450,000	-	450,000	350,000
Total revenues	<u>1,748,090,334</u>	<u>172,807,429</u>	<u>1,920,897,763</u>	<u>1,929,758,991</u>
EXPENDITURES				
Current:				
Support services:				
Facilities services	1,893,239	-	1,893,239	961,000
Capital outlay	1,624,054,440	150,833,259	1,774,887,699	1,928,797,991
Principal	-	118,720	118,720	
Total expenditures	<u>1,625,947,679</u>	<u>150,951,979</u>	<u>1,776,899,658</u>	<u>1,929,758,991</u>
Excess of revenues over expenditures	<u>122,142,655</u>	<u>21,855,450</u>	<u>143,998,105</u>	-
OTHER FINANCING USES				
Transfers out	(55,359)	-	(55,359)	-
Subscription based IT		561,248	561,248	-
Total other financing uses	<u>(55,359)</u>	<u>561,248</u>	<u>505,889</u>	-
Net change in fund balance	<u>\$ 122,087,296</u>	<u>22,416,698</u>	<u>\$ 144,503,994</u>	<u>\$ -</u>
Fund balance at beginning of year		<u>122,087,296</u>		
Fund balance at end of year		<u>\$ 144,503,994</u>		

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. This fund has no adopted budget.

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, 2023

	Special Revenue				
	Lease Fund	School Nutrition Services Fund	Grant Fund	School Activity Fund	Capital Asset Preservation Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 9,560,906	\$ -
Accounts receivable, net	-	577,168	28,052,689	1,023,955	-
Due from other governmental units	-	-	990,019	-	-
Interfund receivables	-	36,563,640	-	-	36,452,163
Inventories	-	711,626	-	289,717	-
Prepaid items	-	-	-	109,743	-
Restricted cash on deposit with others	4,648,885	-	-	-	-
Total assets	<u>\$ 4,648,885</u>	<u>\$ 37,852,434</u>	<u>\$ 29,042,708</u>	<u>\$ 10,984,321</u>	<u>\$ 36,452,163</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 242,536	\$ 1,161,667	\$ 150,549	\$ 165,897	\$ 6,032,572
Accrued liabilities	-	3,081,862	2,260,832	-	246,614
Interfund payables	823,605	-	23,135,015	-	-
Unearned revenues	-	1,339,010	2,695,255	342,856	-
Total liabilities	<u>\$ 1,066,141</u>	<u>\$ 5,582,539</u>	<u>\$ 28,241,651</u>	<u>\$ 508,753</u>	<u>\$ 6,279,186</u>
Fund balances:					
Nonspendable:					
Inventories	-	711,626	-	289,717	-
Prepaid items and deposits	-	-	-	109,743	-
Permanent fund-nonexpendable	-	-	-	-	-
Restricted for:					
Restricted by legal agreement	3,582,744	-	801,057	-	-
Committed to:					
Subsequent years' appropriations	-	-	-	-	-
Capital asset preservation	-	-	-	-	30,172,977
Assigned to:					
Special revenue fund	-	31,558,269	-	10,076,108	-
Unassigned:	-	-	-	-	-
Total fund balances	<u>3,582,744</u>	<u>32,269,895</u>	<u>801,057</u>	<u>10,475,568</u>	<u>30,172,977</u>
Total liabilities and fund balances	<u>\$ 4,648,885</u>	<u>\$ 37,852,434</u>	<u>\$ 29,042,708</u>	<u>\$ 10,984,321</u>	<u>\$ 36,452,163</u>

Schedule 2

Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds	
			ASSETS
\$ -	\$ -	\$ 9,560,906	Cash and cash equivalents
-	-	29,653,812	Accounts receivable, net
-	-	990,019	Due from other governmental units
-	20,620	73,036,423	Interfund receivables
-	-	1,001,343	Inventories
-	-	109,743	Prepaid items
-	-	4,648,885	Restricted cash on deposit with others
<u>\$ -</u>	<u>\$ 20,620</u>	<u>\$ 119,001,131</u>	Total assets
			LIABILITIES AND FUND BALANCES
			Liabilities:
\$ -	\$ -	\$ 7,753,221	Accounts payable
-	-	5,589,308	Accrued liabilities
2,523,669	-	26,482,289	Interfund payables
-	-	4,377,121	Unearned revenues
<u>2,523,669</u>	<u>-</u>	<u>44,201,939</u>	Total liabilities
			Fund balances:
			Nonspendable:
-	-	1,001,343	Inventories
-	-	109,743	Prepaid items and deposits
-	20,620	20,620	Permanent fund-nonexpendable
			Restricted for:
-	-	4,383,801	Restricted by legal agreement
			Committed to:
(2,523,669)	-	(2,523,669)	Subsequent years' appropriations
-	-	30,172,977	Capital asset preservation
			Assigned to:
-	-	41,634,377	Special revenue fund
-	-	-	Unassigned:
<u>(2,523,669)</u>	<u>20,620</u>	<u>74,799,192</u>	Total fund balances
<u>\$ -</u>	<u>\$ 20,620</u>	<u>\$ 119,001,131</u>	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, 2023

	Special Revenue				
	Lease Fund	School Nutrition Services Fund	Grant Fund	School Activity Fund	Capital Asset Preservation Fund
REVENUES					
Intergovernmental:					
Federal government	\$ -	\$ 19,868,979	\$ 26,323,923	\$ -	\$ -
Commonwealth of Virginia	-	1,082,470	22,119,982	-	-
County of Loudoun, Virginia	-	-	-	-	27,979,300
Charges for services:					
Tuition and fees	-	-	2,965	-	-
Food sales	-	18,610,679	-	-	-
Lease fund interest	174,541	-	-	-	-
Other	-	728,371	2,470,441	21,386,875	-
Total revenues	<u>174,541</u>	<u>40,290,499</u>	<u>50,917,311</u>	<u>21,386,875</u>	<u>27,979,300</u>
EXPENDITURES					
Current:					
Instruction:					
Regular	-	-	9,277,069	21,243,702	-
Special	-	-	20,968,755	-	-
Adult education	-	-	220,751	-	-
Support services:					
Administration	1,500	-	-	-	-
Attendance and health	-	-	375,686	-	-
Operation and maintenance	643,817	-	-	-	26,157,189
Pupil transportation	25,254	-	459,379	-	-
School nutrition services	-	42,524,778	18,929	-	-
Technology	6,667,746	-	2,549,480	-	-
Capital outlay	1,804,902	3,201,638	15,562,108	-	399,610
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>9,143,219</u>	<u>45,726,416</u>	<u>49,432,157</u>	<u>21,243,702</u>	<u>26,556,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,968,678)</u>	<u>(5,435,917)</u>	<u>1,485,154</u>	<u>143,173</u>	<u>1,422,501</u>
OTHER FINANCING SOURCES					
Installment purchases	10,000,000	-	-	-	-
Net change in fund balances	1,031,322	(5,435,917)	1,485,154	143,173	1,422,501
Fund balances at beginning of year	<u>2,551,422</u>	<u>37,705,812</u>	<u>(684,100)</u>	<u>10,332,395</u>	<u>28,750,476</u>
Fund balances at end of year	<u>\$ 3,582,744</u>	<u>\$ 32,269,895</u>	<u>\$ 801,054</u>	<u>\$ 10,475,568</u>	<u>\$ 30,172,977</u>

Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds	
			REVENUES
			Intergovernmental:
\$ -	\$ -	\$ 46,192,902	Federal government
-	-	23,202,452	Commonwealth of Virginia
10,377,161	-	38,356,461	County of Loudoun, Virginia
			Charges for services:
-	-	2,965	Tuition and fees
-	-	18,610,679	Food sales
-	-	174,541	Other
-	-	24,585,687	Other
10,377,161	-	151,125,687	Total revenues
			EXPENDITURES
			Current:
			Instruction:
-	1,400	30,522,171	Regular
-	-	20,968,755	Special
-	-	220,751	Adult education
			Support services:
-	-	1,500	Administration
-	-	375,686	Attendance and health
-	-	26,801,006	Operation and maintenance
-	-	484,633	Pupil transportation
-	-	42,543,707	School nutrition services
-	-	9,217,226	Technology
-	-	20,968,258	Capital outlay
			Debt service:
10,088,070	-	10,088,070	Principal
289,091	-	289,091	Interest
10,377,161	1,400	162,480,854	Total expenditures
			Excess (deficiency) of revenues over (under) expenditures
-	(1,400)	(11,355,167)	
			OTHER FINANCING SOURCES
-	-	10,000,000	Installment purchases
-	(1,400)	(1,355,167)	Net change in fund balances
(2,523,668)	22,020	76,154,357	Fund balances at beginning of year
\$ (2,523,668)	\$ 20,620	\$ 74,799,190	Fund balances at end of year

LOUDOUN COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Lease Fund
For the Fiscal Year Ended June 30, 2023

Schedule 4

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Other	\$ -	\$ -	\$ 174,541	\$ 174,541
EXPENDITURES				
Current:				
Administration	2,000	9,000	1,500	7,500
Pupil Transportation	-	-	25,254	(25,254)
Operation and maintenance	-	456,240	643,817	(187,577)
Technology	7,200,000	7,260,840	6,667,746	593,094
Capital outlay	2,800,000	4,609,341	1,804,902	2,804,439
Total expenditures	<u>10,002,000</u>	<u>12,335,421</u>	<u>9,143,219</u>	<u>3,192,202</u>
Excess (deficiency) of revenues over (under) expenditures	(10,002,000)	(12,335,421)	(8,968,678)	3,366,743
OTHER FINANCING SOURCES				
Leases	<u>10,002,000</u>	<u>12,335,421</u>	<u>10,000,000</u>	<u>(2,335,421)</u>
Net change in fund balance	-	-	1,031,322	1,031,322
Fund balance at beginning of year	<u>1,505,333</u>	<u>1,505,333</u>	<u>2,551,422</u>	<u>300,145</u>
Fund balance at end of year	<u>\$ 1,505,333</u>	<u>\$ 1,505,333</u>	<u>\$ 3,582,744</u>	<u>\$ 1,331,467</u>

LOUDOUN COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
School Nutrition Services Fund
For the Fiscal Year Ended June 30, 2023

Schedule 5

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	\$ 13,364,187	\$ 15,826,298	\$ 19,868,979	\$ 4,042,681
Commonwealth of Virginia	637,228	637,228	1,082,470	445,242
Charges for services:				
Food sales	31,364,356	31,364,356	18,610,679	(12,753,677)
Other	450,000	4,399,310	728,371	(3,670,939)
Total revenues	<u>45,815,771</u>	<u>52,227,192</u>	<u>40,290,499</u>	<u>(11,936,693)</u>
EXPENDITURES				
Current:				
Support services:				
School nutrition services	40,615,771	45,733,059	42,524,778	3,208,281
Capital outlay	5,200,000	6,494,133	3,201,638	3,292,495
Total expenditures	<u>45,815,771</u>	<u>52,227,192</u>	<u>45,726,416</u>	<u>6,500,776</u>
Net change in fund balance	-	-	(5,435,917)	(5,435,917)
Fund balance at beginning of year	<u>13,017,197</u>	<u>13,017,197</u>	<u>37,705,812</u>	<u>23,114,117</u>
Fund balance at end of year	<u>\$ 13,017,197</u>	<u>\$ 13,017,197</u>	<u>\$ 32,269,895</u>	<u>\$ 17,678,200</u>

LOUDOUN COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Grant Fund
For the Fiscal Year Ended June 30, 2023

Schedule 6

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	\$ 25,281,473	\$ 32,920,017	\$ 26,323,923	\$ (6,596,094)
Commonwealth of Virginia	26,739,974	29,457,338	22,119,982	(7,337,356)
Charges for services:				
Tuition and fees	57,000	(49,573)	2,965	52,538
Other	4,337,299	14,933,022	2,470,441	(12,462,581)
Total revenues	<u>56,415,746</u>	<u>77,260,804</u>	<u>50,917,311</u>	<u>(26,343,493)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	9,980,750	29,272,352	9,277,069	19,995,283
Special	22,435,865	23,815,041	20,968,755	2,846,286
Adult education	233,351	221,538	220,751	787
Support services:				
Attendance and health	-	792,295	375,686	416,609
Operation and maintenance	-	339,500	-	339,500
Pupil transportation	-	496,199	459,379	36,820
School nutrition services	-	56,116	18,929	37,187
Technology	2,520,000	2,549,480	2,549,480	-
Capital outlay	21,245,780	19,718,283	15,562,108	4,156,175
Total expenditures	<u>56,415,746</u>	<u>77,260,804</u>	<u>49,432,157</u>	<u>27,828,647</u>
Net change in fund balance	-	-	1,485,154	1,485,154
Fund balance at beginning of year	<u>2,374,235</u>	<u>2,587,381</u>	<u>(684,100)</u>	<u>(2,503,697)</u>
Fund balance at end of year	<u>\$ 2,374,235</u>	<u>\$ 2,587,381</u>	<u>\$ 801,054</u>	<u>\$ (1,018,543)</u>

LOUDOUN COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Capital Asset Preservation Fund
For the Fiscal Year Ended June 30, 2023

Schedule 7

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	\$ 28,750,476	\$ 27,979,300	\$ 56,729,776	\$ 56,729,776
Total revenues	<u>28,750,476</u>	<u>27,979,300</u>	<u>56,729,776</u>	<u>56,729,776</u>
EXPENDITURES				
Current:				
Support services:				
Operation and maintenance	-	26,157,189	26,157,189	43,092,101
Capital outlay	-	399,610	399,610	-
Total expenditures	<u>-</u>	<u>26,556,799</u>	<u>26,556,799</u>	<u>43,092,101</u>
Net change in fund balance	<u>\$ 28,750,476</u>	<u>\$ 1,422,501</u>	<u>\$ 30,172,977</u>	<u>\$ 13,637,675</u>
Fund balance at beginning of year		<u>28,750,476</u>		
Fund balance at end of year		<u>\$ 30,172,977</u>		

LOUDOUN COUNTY PUBLIC SCHOOLS
Budgetary Comparison Schedule - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2023

Schedule 8

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	\$ 10,377,161	\$ 10,377,161	\$ 10,377,161	\$ -
Total revenues	<u>10,377,161</u>	<u>10,377,161</u>	<u>10,377,161</u>	<u>-</u>
EXPENDITURES				
Debt service:				
Principal	10,088,070	10,088,070	10,088,070	-
Interest	289,091	289,091	289,091	-
Total expenditures	<u>10,377,161</u>	<u>10,377,161</u>	<u>10,377,161</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year	<u>2,396,901</u>	<u>2,396,901</u>	<u>(2,523,668)</u>	<u>(4,920,569)</u>
Fund balance at end of year	<u>\$ 2,396,901</u>	<u>\$ 2,396,901</u>	<u>\$ (2,523,668)</u>	<u>\$ (4,920,569)</u>

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 9

Balance Sheet-Governmental Fund

Component Unit-Middleburg Community Charter School

June 30, 2023

	General Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 954,977
Restricted cash on deposit with others	130,000
Due from Primary Government	<u>47,002</u>
Total assets	<u><u>1,131,979</u></u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable	\$ 38,429
Payroll liabilities	7,538
Due to Primary Government	<u>16,867</u>
Total liabilities	<u>62,834</u>
Fund balances:	
Unassigned	939,145
Restricted for capital improvements	<u>130,000</u>
Total fund balance	<u>1,069,145</u>
 Total liabilities and fund balance	 <u><u>\$ 1,131,979</u></u>

LOUDOUN COUNTY PUBLIC SCHOOLS**Schedule 10****Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund****Component Unit-Middleburg Community Charter School****For the Fiscal Year Ended June 30, 2023**

	General Fund
REVENUES	
Revenue from the use of money and property	\$ 2,005
Miscellaneous	9,975
Donations and contributions	106,313
Grants	48,502
Contributions from Loudoun County Public Schools	3,041,357
Total revenues	<u>3,208,152</u>
EXPENDITURES	
Education:	
Instructional	2,009,288
Attendance and health services	241,976
Transportation	191,444
Operation and maintenance	475,979
Food services	6,132
Total expenditures	<u>2,924,819</u>
Net change in fund balance	283,333
Fund balance, beginning of year	<u>785,812</u>
Fund balance, end of year	<u>\$ 1,069,145</u>

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 11

Balance Sheet-Governmental Fund

Component Unit-Hillsboro Charter Academy

June 30, 2023

	General Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,530,891
Accounts receivable, net	2,500
Total assets	<u>1,533,391</u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable	\$ 64,788
Due to primary government	25,076
Payroll liabilities	1,500
Total liabilities	<u>91,364</u>
Fund balances:	
Nonspendable:	
Unassigned	<u>1,442,027</u>
Total fund balance	<u>1,442,027</u>
Total liabilities and fund balance	<u><u>\$ 1,533,391</u></u>

LOUDOUN COUNTY PUBLIC SCHOOLS**Schedule 12****Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund****Component Unit-Hillsboro Charter Academy****For the Fiscal Year Ended June 30, 2023**

	General Fund
REVENUES	
Miscellaneous	15,374
Donations and contributions	9,255
Fundraising	55,770
Revenue from the use of money and property	22,799
Contributions from Loudoun County Public Schools	3,255,431
Total revenues	<u>3,358,629</u>
EXPENDITURES	
Education:	
Instructional	1,968,003
Administration and health services	298,601
Transportation	57,829
Operation and maintenance	738,396
Fundraising	11,036
Food services	7,607
Total expenditures	<u>3,081,472</u>
Net change in fund balance	277,157
Fund balance, beginning of year	<u>1,164,870</u>
Fund balance, end of year	<u><u>\$ 1,442,027</u></u>



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Statistical Section

LCPS Annual Comprehensive Financial Report 2023

Unaudited-See accompanying independent auditor's report.

This section of Loudoun County's Public School (LCPS) Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about LCPS' overall financial health. Information is presented in the following five categories:

- **Financial Trends** - trend information to help the reader understand how LCPS' financial performance and well being have changed over time.
- **Revenue Capacity** - information to help the reader assess LCPS' most significant revenue sources.
- **Debt Capacity** - information to help the reader in understanding LCPS's debt burden.
- **Demographic and Economic Information** - demographic and economic indicators to help the reader understand the environment within which the LCPS financial activities take place.
- **Operating Information** - service and infrastructure data to help the reader understand the resources used and services provided in LCPS' operations.

LOUDOUN COUNTY PUBLIC SCHOOLS

Net Position by Component

(accrual basis of accounting)

Governmental Activities	Fiscal Year				
	2023	2022	2021	2020	2019
Net investment in capital assets	\$ 2,190,242,112	\$ 2,103,307,674	\$ 2,061,751,435	\$ 1,972,889,722	\$ 1,893,341,002
Restricted	4,483,569	1,889,342	3,353,525	3,903,338	3,882,548
Unrestricted	(616,123,033)	(756,209,146)	(829,380,845)	(819,642,013)	(776,656,859)
Total net position, as previously reported, restated	1,578,602,648	1,348,987,870	1,235,724,115	1,157,151,047	1,120,566,691
Prior period adjustments/restatements (1)	-	-	-	8,590,501	-
Total net position	<u>\$ 1,578,602,648</u>	<u>\$ 1,348,987,870</u>	<u>\$ 1,235,724,115</u>	<u>\$ 1,165,741,548</u>	<u>\$ 1,120,566,691</u>

(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 \$783,249,733.

(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					Governmental Activities
2018	2017	2016	2015	2014	
\$ 1,787,598,402	\$ 1,634,288,422	\$ 1,583,599,591	\$ 1,532,224,787	\$ 1,469,383,294	Net investment in capital assets
2,319,695	1,851,696	3,381,400	29,406	32,647,494	Restricted
(871,954,719)	(718,725,777)	(746,910,871)	(821,309,109)	(87,816,066)	Unrestricted
917,963,378	917,414,341	840,070,120	710,945,084	1,414,214,722	Total net position, as previously reported
-	(166,015,606)	-	-	(783,249,733)	Prior period adjustments/restatements(1)
<u>\$ 917,963,378</u>	<u>\$ 751,398,735</u>	<u>\$ 840,070,120</u>	<u>\$ 710,945,084</u>	<u>\$ 630,964,989</u>	Total net position

LOUDOUN COUNTY PUBLIC SCHOOLS
Changes in Net Position
(accrual basis of accounting)

Governmental Activities	Fiscal Year				
	2023	2022	2021	2020	2019
Expenses					
Instruction:					
Regular	\$ 931,177,738	\$ 964,510,273	\$ 919,055,882	\$ 877,709,427	\$ 724,655,424
Special	254,349,334	251,958,858	258,238,313	241,956,861	200,765,707
Adult education	1,074,903	956,985	751,560	817,409	860,694
Other	4,550,907	7,482,885	4,390,758	3,302,058	2,151,766
Charter Schools	5,662,445	4,886,756	4,734,432	4,115,070	4,011,758
Total instruction	<u>1,196,815,327</u>	<u>1,229,795,757</u>	<u>1,187,170,945</u>	<u>1,127,900,825</u>	<u>932,445,349</u>
Support Services:					
Administration	39,612,930	35,794,252	33,627,285	33,269,743	29,635,996
Attendance and health	28,812,861	27,055,250	30,117,163	11,706,150	17,108,962
Pupil transportation	81,480,768	74,718,086	64,774,255	65,292,109	61,840,432
Facilities services	26,059,161	14,703,205	10,075,176	11,874,092	8,021,502
Operation and maintenance	157,242,103	132,723,028	116,933,355	116,631,517	98,185,651
School nutrition services	43,843,097	40,083,643	29,053,844	30,701,900	29,413,042
Total support services	<u>377,050,919</u>	<u>325,077,462</u>	<u>284,581,078</u>	<u>269,475,511</u>	<u>244,205,585</u>
Technology	75,171,152	71,247,183	69,127,748	63,418,914	48,585,046
Interest on long-term debt	382,629	706,850	425,803	494,468	467,622
Total Expenses	<u>1,649,420,027</u>	<u>1,626,827,252</u>	<u>1,541,305,574</u>	<u>1,461,289,718</u>	<u>1,225,703,602</u>
Program Revenues					
Charges for services:					
Regular instruction	2,274,675	1,560,404	2,246,030	2,366,230	2,870,467
All other instruction	196,535	149,544	113,767	182,025	413,003
School nutrition services	18,610,679	2,867,339	9,363	14,277,723	20,608,328
Operating grants and contributions	109,742,261	118,039,675	109,232,687	75,940,321	73,291,582
Capital grants and contributions	200,786,729	171,799,983	183,170,821	172,769,957	191,328,688
Total program revenues	<u>331,610,879</u>	<u>294,416,945</u>	<u>294,772,668</u>	<u>265,536,256</u>	<u>288,512,068</u>
Net (expense)	<u>(1,317,809,148)</u>	<u>(1,332,410,307)</u>	<u>(1,246,532,906)</u>	<u>(1,195,753,462)</u>	<u>(937,191,534)</u>
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal Government	17,663,096	12,292,087	15,653,053	1,516,900	377,608
Commonwealth of Virginia	421,647,360	388,928,663	370,576,010	353,451,342	324,509,718
County of Loudoun, Virginia	1,077,364,838	1,015,553,982	920,285,052	872,629,877	807,652,367
Revenue from the use of money and property	1,590,893	1,651,054	323,437	1,195,527	1,788,215
Lease fund interest	174,541	-	-	-	-
Other	28,983,198	27,248,276	9,677,921	3,544,172	5,466,939
Special items	-	-	-	-	-
Total general revenues and other changes in net position	<u>1,547,423,926</u>	<u>1,445,674,062</u>	<u>1,316,515,473</u>	<u>1,232,337,818</u>	<u>1,139,794,847</u>
Change in Net Position	<u>\$ 229,614,778</u>	<u>\$ 113,263,755</u>	<u>\$ 69,982,567</u>	<u>\$ 36,584,356</u>	<u>\$ 202,603,313</u>

Table B

Fiscal Year					Governmental Activities
2018	2017	2016	2015	2014	
					Expenses
					Instruction:
\$ 721,595,070	\$ 689,981,195	\$ 621,120,465	\$ 598,844,655	\$ 554,392,389	Regular
166,515,819	160,599,364	145,456,923	142,401,177	129,244,542	Special
860,289	774,264	707,242	759,725	736,678	Adult education
1,689,859	1,839,511	1,711,412	1,383,824	2,435,818	Other
3,771,454	3,269,360	1,435,100	1,378,767	-	Charter Schools
894,432,491	856,463,694	770,431,142	744,768,148	686,809,427	Total instruction
					Support Services:
28,549,412	26,693,802	23,030,952	21,995,247	19,754,018	Administration
15,768,881	14,965,974	13,540,598	13,497,921	12,459,804	Attendance and health
60,653,658	56,126,296	55,634,667	56,085,138	56,467,025	Pupil transportation
5,181,035	4,249,055	2,340,378	1,823,048	1,924,504	Facilities services
97,125,742	83,989,938	81,867,506	82,258,524	73,352,930	Operation and maintenance
27,464,983	26,095,594	24,226,030	22,419,261	23,401,309	School nutrition services
234,743,711	212,120,659	200,640,131	198,079,139	187,359,590	Total support services
36,783,840	37,424,763	30,055,892	30,487,363	23,544,855	Technology
330,571	299,611	301,611	283,289	280,174	Interest on long-term debt
1,166,290,613	1,106,308,727	1,001,428,776	973,617,939	897,994,046	Total Expenses
					Program Revenues
					Charges for services:
2,760,144	2,594,197	2,506,063	2,319,185	221,019	Regular instruction
444,577	312,992	291,785	242,873	2,079,239	All other instruction
18,808,535	18,633,779	16,454,344	15,786,657	15,422,559	School nutrition services
60,944,366	34,998,883	28,826,012	27,360,795	25,269,020	Operating grants and contributions
195,274,010	112,116,942	106,240,042	141,662,059	148,057,525	Capital grants and contributions
278,231,632	168,656,793	154,318,246	187,371,569	191,049,362	Total program revenues
(888,058,981)	(937,651,934)	(847,110,530)	(786,246,370)	(706,944,684)	Net (expense)
					General Revenues and Other Changes in Net Position
					Grants and contributions not restricted to specific purposes:
107,774	252,028	225,367	225,392	1,284,916	Federal Government
309,914,527	316,787,568	289,484,886	275,124,246	256,765,872	Commonwealth of Virginia
737,000,680	692,137,749	679,458,663	610,280,440	566,207,402	County of Loudoun, Virginia
1,987,844	1,788,122	1,959,285	1,729,089	2,026,055	Revenue from the use of money and property
-	-	-	-	-	Lease fund interest
5,612,799	4,030,688	5,107,365	5,632,056	5,427,706	Other
-	-	-	(26,764,758)	-	Special items
1,054,623,624	1,014,996,155	976,235,566	866,226,465	831,711,951	Total general revenues and other changes in net position
\$ 166,564,643	\$ 77,344,221	\$ 129,125,036	\$ 79,980,095	\$ 124,767,267	Change in Net Position

LOUDOUN COUNTY PUBLIC SCHOOLS
Fund Balances of Governmental Funds

(modified accrual basis of accounting)

	Fiscal Year				
	2023 ⁽²⁾	2022 ⁽²⁾	2021	2020	2019
General Fund:					
General Fund:					
Nonspendable	\$ 1,173,204	\$ 1,051,802	\$ 953,515	\$ 142,240	\$ 145,621
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	34,185,876	46,799,017	66,116,288	32,584,862	28,656,119
Unassigned	9,060,907	766,659	8,953,928	15,489,671	11,537,377
Total General Fund	<u>44,419,987</u>	<u>48,617,478</u>	<u>76,023,731</u>	<u>48,216,773</u>	<u>40,339,117</u>
All other governmental funds:					
Nonspendable	1,131,706	922,152	864,668	786,724	319,631
Restricted	4,383,801	2,551,422	3,331,155	3,879,568	3,857,728
Committed	172,153,302	153,361,440	115,077,423	101,334,124	64,976,165
Assigned	41,634,377	47,138,075	31,663,864	12,304,243	14,296,884
Unassigned	-	(5,731,436)	-	-	-
Total all other governmental funds	<u>219,303,186</u>	<u>198,241,653</u>	<u>150,937,110</u>	<u>118,304,659</u>	<u>83,450,408</u>
Total governmental funds, previously reported, restated	263,723,173	246,859,131	226,960,841	166,521,432	123,789,525
Prior period adjustment	-	-	-	-	-
Total governmental funds	<u>\$ 263,723,173</u>	<u>\$ 246,859,131</u>	<u>\$ 226,960,841</u>	<u>\$ 166,521,432</u>	<u>\$ 123,789,525</u>

⁽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

Fiscal Year					
2018	2017	2016	2015 ⁽¹⁾	2014	
\$ 180,142	\$ 138,578	\$ 154,865	\$ 201,346	\$ 120,733	General Fund:
-	-	-	647,714	1,760,162	Nonspendable
-	-	-	-	26,764,758	Restricted
36,088,162	24,966,285	21,924,835	14,567,565	13,458,757	Committed
77,108	15,491,769	53	140,519	-	Assigned
36,345,412	40,596,632	22,079,753	15,557,144	42,104,410	Unassigned
					Total General Fund
340,730	503,123	408,938	385,874	460,369	All other governmental funds:
2,293,825	1,824,776	3,353,080	429,222	32,615,988	Nonspendable
55,618,817	61,093,398	80,078,810	77,103,392	3,681,948	Restricted
11,944,420	9,157,093	5,990,189	4,439,211	2,715,886	Committed
-	-	-	(170,014)	(169,158)	Assigned
70,197,792	72,578,390	89,831,017	82,187,685	39,305,033	Unassigned
					Total all other governmental funds
106,543,204	113,175,022	111,910,770	97,744,829	81,409,443	Total governmental funds,
-	-	-	-	3,500,000	previously reported, restated
					Prior period adjustment
<u>\$ 106,543,204</u>	<u>\$ 113,175,022</u>	<u>\$ 111,910,770</u>	<u>\$ 97,744,829</u>	<u>\$ 77,909,443</u>	Total governmental funds

LOUDOUN COUNTY PUBLIC SCHOOLS

Changes in Fund Balances of Governmental Funds

(modified accrual basis of accounting)

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues					
Intergovernmental	\$ 1,824,628,779	\$ 1,702,482,343	\$ 1,588,185,538	\$ 1,471,486,868	\$ 1,397,720,517
Charges for services	22,000,948	4,577,287	2,369,160	16,825,978	23,844,780
Revenue from the use of money and property	1,615,451	1,787,422	433,979	1,266,159	1,845,872
Lease fund interest	174,541	-	-	-	-
Recovered costs	4,315,006	7,013,521	7,070,742	3,986,339	3,806,670
Other	27,831,846	24,105,306	13,341,764	4,285,969	6,110,291
Total revenues	1,880,566,571	1,739,965,879	1,611,401,183	1,497,851,313	1,433,328,130
Expenditures					
Current:					
Instruction	1,248,141,456	1,201,290,311	1,070,035,399	1,021,204,779	945,156,960
Support services	368,430,844	320,994,212	260,419,203	249,059,364	245,368,447
Technology	70,349,134	65,830,129	66,136,688	61,021,726	48,466,526
Capital outlay	184,299,730	125,606,216	161,524,249	123,408,744	176,763,324
Debt service:					
Principal	18,355,714	16,487,834	9,959,753	9,944,037	9,990,672
Interest	710,859	796,607	496,972	480,756	335,880
Total expenditures	1,890,287,737	1,731,005,309	1,568,572,264	1,465,119,406	1,426,081,809
Excess (deficiency) of revenues over (under) expenditures	(9,721,166)	8,960,570	42,828,919	32,731,907	7,246,321
Other financing sources (uses)					
Installment purchases	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Leases	4,240,436	937,720	-	-	-
Subscription based IT	12,344,772	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(980,011)	-	-
Total other financing sources (uses), net	26,585,208	10,937,720	9,019,989	10,000,000	10,000,000
Special items	-	-	-	-	-
Net change in fund balances	<u>\$ 16,864,042</u>	<u>\$ 19,898,290</u>	<u>\$ 51,848,908</u>	<u>\$ 42,731,907</u>	<u>\$ 17,246,321</u>
Debt service as a percentage of noncapital expenditures	1.12%	1.08%	0.75%	0.78%	0.83%

Table D

Fiscal Year					
2018	2017	2016	2015	2014	
\$ 1,289,031,572	\$ 1,152,913,390	\$ 1,102,620,217	\$ 1,053,666,344	\$ 983,141,375	Revenues
21,966,238	21,540,968	19,252,192	18,348,715	17,722,817	Intergovernmental
					Charges for services
2,032,297	1,873,339	1,958,475	1,717,382	2,067,086	Revenue from the use of money and property
-	-	-	-	-	Lease fund interest
3,586,291	3,547,551	2,363,494	2,320,500	2,343,701	Recovered costs
4,510,548	3,754,591	4,506,263	4,091,304	4,624,365	Other
1,321,126,946	1,183,629,839	1,130,700,641	1,080,144,245	1,009,899,344	Total revenues
					Expenditures
					Current:
878,478,022	814,953,656	761,368,922	709,551,487	663,454,627	Instruction
231,968,561	206,364,658	199,404,249	190,099,253	181,309,660	Support services
36,074,646	36,366,962	29,539,481	29,484,711	22,659,717	Technology
180,943,640	137,330,180	103,463,999	100,059,392	154,728,949	Capital outlay
					Debt service:
9,992,314	9,972,603	9,214,448	8,738,395	7,865,235	Principal
301,581	300,748	275,601	264,102	294,160	Interest
1,337,758,764	1,205,288,807	1,103,266,700	1,038,197,340	1,030,312,348	Total expenditures
(16,631,818)	(21,658,968)	27,433,941	41,946,905	(20,413,004)	Excess (deficiency) of revenues over (under) expenditures
					Other financing sources (uses)
10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	Installment purchases
44,677	23,824,678	-	-	-	Leases
-	-	-	-	-	Subscription based IT
-	-	-	-	-	Transfers in
(44,677)	(10,901,458)	(23,268,000)	(5,346,761)	(3,662,419)	Transfers out
10,000,000	22,923,220	(13,268,000)	4,653,239	6,337,581	Total other financing sources (uses), net
-	-	-	26,764,758	-	Special items
\$ (6,631,818)	\$ 1,264,252	\$ 14,165,941	\$ 19,835,386	\$ (14,075,423)	Net change in fund balances
0.90%	0.97%	0.96%	0.97%	0.94%	Debt service as a percentage of noncapital expenditures

LOUDOUN COUNTY PUBLIC SCHOOLS
Charges for Services Revenue
by Source (1)
(modified accrual basis of accounting)

Table E

Fiscal Year	Food Sales	Tuition	Testing Fees ⁽²⁾	Driver's ED Fees	Miscellaneous Fees	Total
2023	\$ 18,610,679	\$ 1,251,723	\$ 251,248	\$ 198,523	\$ 8,454	\$ 20,320,627
2022	2,867,339	1,251,723	251,248	198,523	8,454	4,577,287
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

⁽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⁾ The first four AP exam fees are free beginning in FY22.

LOUDOUN COUNTY PUBLIC SCHOOLS
School Nutrition Services
Sales Price Breakdown

Table F

Fiscal Year	Breakfast		Lunch		
	Student	Adult	Student		Adult
			Elementary	Secondary	
2023	\$2.10	3.65	\$3.05	\$3.15	\$4.10
2022	\$2.10	n/a(1)	\$3.05	\$3.15	\$4.10
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	\$2.25	\$3.00	\$3.10	\$4.00

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

Source: LCPS - School Nutrition Services Office

LOUDOUN COUNTY PUBLIC SCHOOLS
Food Sales - Annual Meals Served

Table G

Fiscal Year	Students Served				Adult Lunches
	Breakfasts	Free & Reduced Breakfasts	Lunches	Free & Reduced Lunches	
2023	625,981	951,770	3,403,746	2,110,050	15,397
2022	(1) -	-	-	-	13,982
2021	(2) -	-	-	-	897
2020	(3) 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

⁽¹⁾ SSO Seamless Summer Option - USDA Waiver to feed students free
(meals claimed - under SSO, not NSLP/NSBP - this is how meals were claimed when shut down occurred)

⁽²⁾ Due to COVID - 19 - No meals were served to students during the 20 - 21 School Year.SSO Seamless Summer Option - USDA Waiver to feed students free
Summer Feeding - USDA waiver to feed students free

⁽³⁾ Due to COVID - 19 - LCPS schools closed March 2020 and the number of meals served were reduced - 3/31/2020 to 6/30/202
3/13/2020 to 3/31/2020 - Seamless Summer
4/1/2020 to 6/30/2020 - Summer Feeding

Source: LCPS - School Nutrition Services Office

LOUDOUN COUNTY PUBLIC SCHOOLS
Ratios of Outstanding Debt by Type

Table H

Fiscal Year	Installment Purchases	Total Reporting Entity	Percentage of Personal Income	Debt Per Capita
2023	\$ 22,619,288	\$ 22,619,288	0.05%	\$ 51
2022	22,707,358	22,707,358	0.05%	52
2021	25,259,130	25,259,130	0.07%	59
2020	25,218,883	25,218,883	0.07%	60
2019	25,162,921	25,162,921	0.07%	61
2018	25,153,593	25,153,593	0.08%	62
2017	25,145,907	25,145,907	0.08%	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	0.09%	65

Fiscal Year	Lease Assets	Total Reporting Entity	Percentage of Personal Income	Debt Per Capita
2023	\$ 27,376,586	\$ 27,376,586	0.06%	\$ 62
2022	27,657,292	27,657,292	0.05	52

Fiscal Year	Subscription Based IT	Total Reporting Entity	Percentage of Personal Income	Debt Per Capita
2023	\$ 8,598,269	\$ 8,598,269	0.02%	\$ 20

Schedule is intended to show information for 10 years. 2022 is the first year for Lease Assets, ten years is not available.
2023 is the first year for Subscription Based IT, ten years is not available.
Source: LCPS Annual Comprehensive Financial Reports 2015-2024

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⁾
2023	440,071	\$ 44,667,000,000	\$ 101,500	2.5%	82,233
2022	434,326	41,712,848,000	91,008	2.5%	81,642
2021	427,706	38,591,724,000	88,402	3.7%	81,504
2020	420,959	36,160,789,000	84,374	9.0%	84,175
2019	413,000	34,302,870,000	80,535	2.3%	82,485
2018	402,575	32,120,997,000	79,280	2.6%	81,235
2017	392,376	30,226,862,000	76,219	3.1%	79,001
2016	381,214	28,701,424,000	74,411	3.3%	76,263
2015	368,654	26,749,122,000	71,494	3.7%	73,461
2014	354,983	25,031,676,000	69,089	4.3%	70,858

⁽¹⁾ 2020, U.S. Census Bureau. Other years are Loudoun County Department of Finance and Budget estimates.

⁽²⁾ Through 2021: U.S. Bureau of Economic Analysis. 2022 and 2023 are Loudoun County Office of Management and Budget estimates.

⁽³⁾ Through 2021: U.S. Bureau of Economic Analysis. 2022 and 2023 are Loudoun County Office of Management and Budget estimates..

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

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

Note: Prior year numbers are adjusted as more current data becomes available.

LOUDOUN COUNTY PUBLIC SCHOOLS
Principal Employers in the County of Loudoun, Virginia
Current Year and Nine Years Ago

Table J

Employer	Rank	June 30, 2023		Rank	June 30, 2014	
		Number of Employees (1)	Percentage of Total County Employment (2)		Number of Employees (1)	Percentage of Total County Employment (2)
Loudoun County Public Schools	1	12,804	7.11%	1	9,638	6.50%
County of Loudoun	2	4,673	2.60%	2	3,537	2.39%
U.S. Department of Homeland (Security) Defense	3	2,500-5,000	2.08%	5	1,000-5,000	2.02%
Verizon Business (formerly MCI Worldcom)	4	2,500-5,000	2.08%	8	1,000-5,000	2.02%
Northrop Grumman Innovation Systems (formerly Orbital ATK at this location)	5	2,500-5,000	2.08%			
United Airlines	6	1,000-2,500	0.97%	3	1,000-5,000	2.02%
Inova Health System - (Loudoun Hospital Center)	7	1,000-2,500	0.97%	8	1,000-5,000	2.02%
Raytheon Technologies	8	1,000-2,500	0.97%	7	1,000-5,000	2.02%
Dynaletric	9	1,000-2,500	0.97%			
Amazon	10	1,000-2,500	0.97%			
M.C.Dean, Inc.				9	1,000-5,000	2.02%
United States Postal Services				10	1,000-5,000	2.02%
America Online				4	1,000-5,000	2.02%
Totals			20.80%			25.05%

⁽¹⁾ Loudoun County Department of Economic Development, Virginia Employment Commission links to BLS, CEW publications, 2nd Quarter 2022 released in December 2022, 2014 ACFR data, Loudoun County Public Schools, and Loudoun County Department of Financial and Budget.

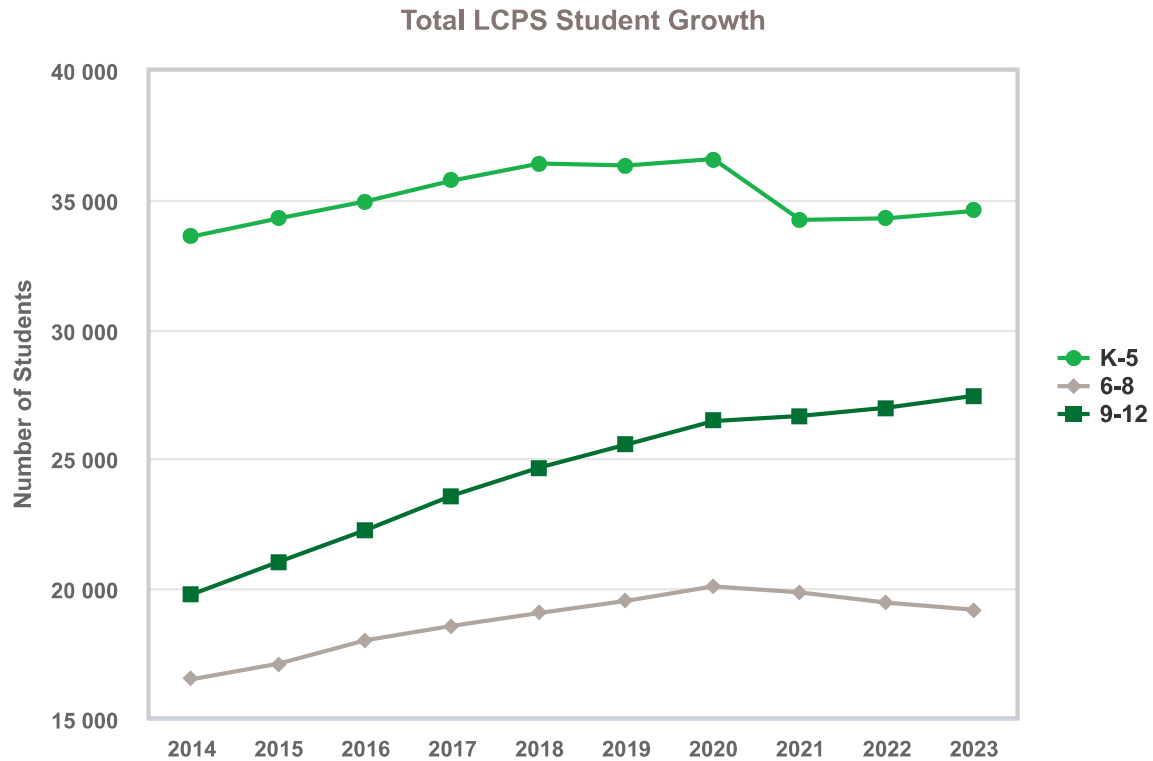
⁽²⁾ Percentages are based on the midpoint of the employment range and average total Loudoun County employment of prior calendar year according to the Virginia Employment Commission and BLS data files.

LOUDOUN COUNTY PUBLIC SCHOOLS Enrollment Trend Last Ten Fiscal Years

Table K

Fiscal Year	Grades K-5	Grades 6-8	Grades 9-12	Grades K-12 Total
2023	34,566	19,187	27,441	81,194
2022	34,275	19,465	26,983	80,723
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

Source: LCPS Department of Planning & Legislative Services



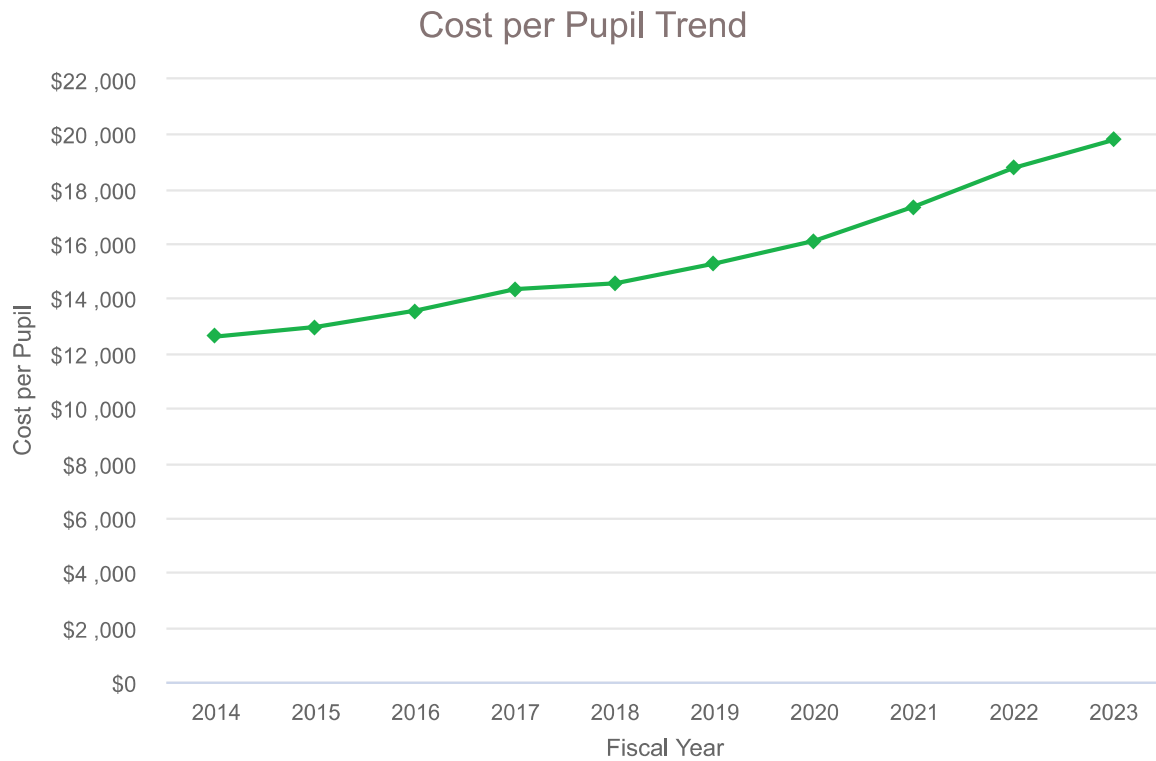
LOUDOUN COUNTY PUBLIC SCHOOLS

Cost per Pupil Last Ten Fiscal Years

Table L

Fiscal Year	Cost per Pupil
2023	\$ 19,791
2022	18,767
2021	17,358
2020	16,106
2019	15,277
2018	14,548
2017	14,332
2016	13,549
2015	12,951
2014	12,611

Source: LCPS Budget Office as reported to Commonwealth of Virginia



LOUDOUN COUNTY PUBLIC SCHOOLS

Scholastic Assessment Test (SAT) Scores

Comparison of County of Loudoun, VA, Commonwealth of Virginia, and National Averages

Last Ten Fiscal Years

Table M

Fiscal Year	Combined SAT Scores Evidence-based Reading and Writing and Math (1)		
	County of Loudoun	Commonwealth of Virginia	Global
2023	1173	1113	1028
2022	1178	1124	1050
2021 (2)	1182	1151	1060
2020	1173	1116	1051
2019	1180	1119	1059
2018	1184	1117	1068
2017	1155	1102	1060

Fiscal Year	Combined SAT Scores Critical Reading, Math and Writing		
	County of Loudoun	Commonwealth of Virginia	National
2016	1617	1535	1484
2015	1612	1533	1490
2014	1611	1530	1497

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 2017-2023 scores are not comparable to previous SAT scores.

⁽²⁾ The College Board began reporting Global Overall Average SAT scores in 2021.

LOUDOUN COUNTY PUBLIC SCHOOLS
Average Class Size - Students per Classroom Teacher
Last Ten Fiscal Years

Table N

Fiscal Year	Elementary	Middle/ Intermediate	High
2023	22.0	23.7	23.7
2022	22.0	23.7	23.7
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

Source: LCPS Budget Office

LOUDOUN COUNTY PUBLIC SCHOOLS

Full-Time Equivalent Employees by Function - All Funds

Last Ten Fiscal Years

Function	Fiscal Year				
	2023	2022	2021	2020	2019
School based:					
Instruction	7,385.8	7,583.8	7,249.3	7,018.0	6,754.2
Bus drivers & attendants	779.5	809.5	819.5	837.5	836.5
Teacher assistants	1,590.1	1,670.1	1,622.7	1,514.3	1,461.3
Custodians	642.0	638.0	625.8	607.8	591.8
Other school support	610.0	595.5	560.5	540.0	517.5
Administration	413.5	414.5	385.0	378.0	364.0
Instructional support	307.0	310.0	246.7	240.0	241.8
Nurses & health clinic specialists	121.6	110.1	108.6	107.2	102.7
Total school based FTE's	<u>11,849.5</u>	<u>12,131.5</u>	<u>11,618.1</u>	<u>11,242.8</u>	<u>10,869.8</u>
Non-school based:					
Secretarial/clerical	137.8	124.0	114.0	114.0	112.0
Other support staff	510.0	493.8	406.0	404.0	378.0
Administration	307.0	268.5	243.5	234.0	217.5
Total non-school based FTE's	<u>954.8</u>	<u>886.3</u>	<u>763.5</u>	<u>752.0</u>	<u>707.5</u>
Total FTE's	<u><u>12,804.3</u></u>	<u><u>13,017.8</u></u>	<u><u>12,381.6</u></u>	<u><u>11,994.8</u></u>	<u><u>11,577.3</u></u>

Source: LCPS Budget Office

Table O

Fiscal Year					Function
2018	2017	2016	2015	2014	
6,474.7	6,210.1	5,927.4	5,632.7	5,382.4	School based:
832.5	852.0	853.5	888.5	888.5	Instruction
1,394.2	1,287.3	1,189.5	1,148.2	1,285.7	Bus drivers & attendants
557.8	546.7	536.8	519.7	493.0	Teacher assistants
492.5	434.8	429.4	418.4	402.4	Custodians
340.0	324.0	299.0	283.5	291.0	Other school support
216.4	183.1	176.0	171.1	199.1	Administration
101.0	100.4	97.9	94.9	92.4	Instructional support
10,409.1	9,938.4	9,509.5	9,157.0	9,034.5	Nurses & health clinic specialists
					Total school based FTE's
115.0	146.0	158.0	157.5	141.5	Non-school based:
374.3	385.3	382.3	372.5	334.2	Secretarial/clerical
204.5	170.5	152.5	134.5	128.0	Other support staff
693.8	701.8	692.8	664.5	603.7	Administration
					Total non-school based FTE's
11,102.9	10,640.2	10,202.3	9,821.5	9,638.2	Total FTE's

LOUDOUN COUNTY PUBLIC SCHOOLS

Miscellaneous Statistics

Last Ten Fiscal Years

Function	Fiscal Year				
	2023	2022	2021	2020	2019
Attendance percentage	93.6%	94.5%	97.4%	95.6%	95.4%
Drop-out rate	0.45%	0.54%	0.54%	0.58%	0.52%
English as a Second Language students served	11,369	11,022	9,802	10,228	9,588
Financial aid received by graduates	\$97,004,554	\$78,486,755	\$55,315,071	\$47,680,920	\$63,186,640
Graduates pursuing further education:					
Number of students	5,563	5,696	5,400	5,467	5,338
Percent of students	87.0%	86.6%	84.0%	87.6%	92.8%
Percent of staff that is school-based	92.5%	93.2%	93.8%	93.7%	93.2%
National Merit Scholarship Committee Semifinalists	45	57	55	54	58
Gifted & Talented students served	8,497	9,117	7,267	8,658	8,152

Source: LCPS Public Information Office

Table P

2018	2017	Fiscal Year			Function
		2016	2015	2014	
95.7%	96.0%	95.9%	96.4%	96.3%	Attendance percentage
0.55%	0.53%	0.82%	0.66%	0.66%	Drop-out rate
8,827	8,530	7,173	6,768	5,824	English as a Second Language students served
\$58,505,588	\$54,768,301	\$59,476,537	\$38,792,416	\$43,416,413	Financial aid received by graduates
5,167	4,794	4,628	4,665	4,222	Graduates pursuing further education: Number of students
91.3%	91.2%	92.8%	91.2%	90.1%	Percent of students
93.8%	93.7%	92.6%	92.6%	93.7%	Percent of staff that is school-based
38	32	40	36	40	National Merit Scholarship Committee Semifinalists
7,336	6,950	7,108	6,099	6,557	Gifted & Talented students served

LOUDOUN COUNTY PUBLIC SCHOOLS

Capital Assets Statistics

by Function

Function	Fiscal Year				
	2023	2022	2021	2020	2019
Elementary Schools:					
Buildings	61	60	59	59	58
Building square footage	4,662,246	4,548,663	4,433,833	4,433,833	4,330,981
Base Capacity *	44,402	43,327	42,298	42,252	41,207
Middle Schools:					
Buildings	17	17	17	17	17
Building square footage	2,787,897	2,787,897	2,787,897	2,787,897	2,787,897
Base Capacity	22,192	22,178	22,178	22,178	21,874
High Schools:					
Buildings	17	17	17	16	15
Building square footage	4,366,061	4,366,061	4,366,061	4,060,928	3,766,768
Base Capacity	30,795	31,050	31,023	28,988	26,887
Education Centers:					
Buildings	2	2	2	2	2
Building square footage	361,771	361,771	361,771	361,771	361,771
School Buses	757	788	784	783	828

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					Function
2018	2017	2016	2015	2014	
					Elementary Schools:
57	57	56	56	55	Buildings
4,227,919	4,199,245	4,093,488	4,093,488	3,991,121	Building square footage
39,845	40,655	38,807	38,163	35,739	Base Capacity
					Middle Schools:
16	15	15	15	14	Buildings
2,602,676	2,418,083	2,418,083	2,418,083	2,234,279	Building square footage
20,447	18,918	18,818	16,956	16,696	Base Capacity
					High Schools:
15	15	15	14	13	Buildings
3,766,798	3,766,798	3,766,798	3,463,864	3,463,864	Building square footage
26,101	25,068	25,370	22,212	22,570	Base Capacity
					Education Centers:
2	2	2	2	2	Buildings
127,071	127,071	127,071	123,771	127,074	Building square footage
788	800	821	859	880	School Buses



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