Loudoun County Public Schools

A Component Unit of the County of Loudoun, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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A Component Unit of the County of Loudoun, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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

Dr. Eric Williams, Superintendent
Sharon Willoughby, Assistant Superintendent for Business & Financial Services
Thomas C. Yetter, SFO, Director of Financial Services

Loudoun County Public Schools
A Climate for Success

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LOUDOUN COUNTY PUBLIC SCHOOLS
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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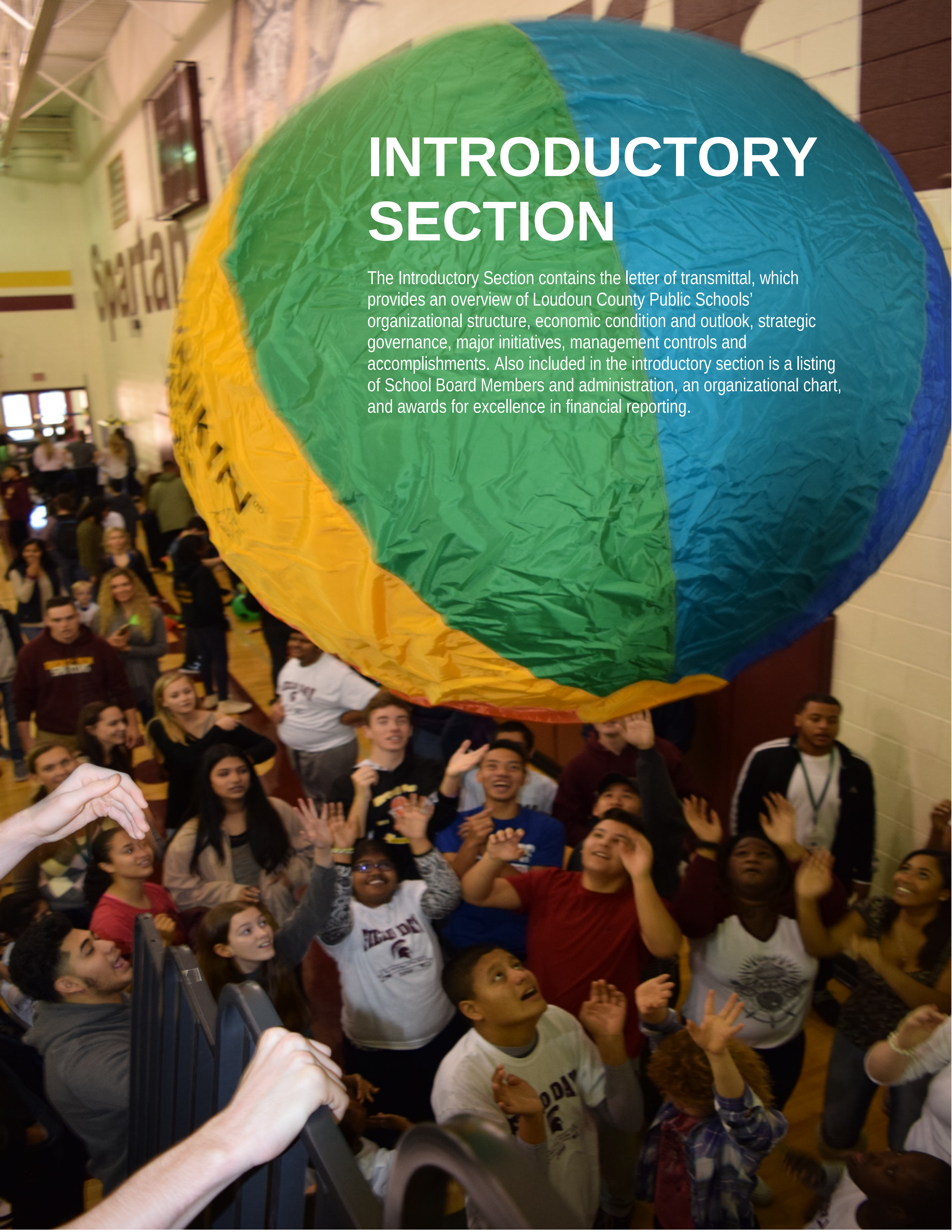

INTRODUCTORY SECTION

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

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

November 30, 2018
Loudoun County School Board
21000 Education Court
Ashburn, Virginia 20148

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

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the Loudoun County Public Schools (LCPS) for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with LCPS' management. We believe the data, as presented, are accurate in all material respects, are presented in a manner designed to fairly set forth the financial position and results of operations of LCPS as measured by the financial activity of our various funds, and that all disclosures necessary to enable the reader to understand LCPS' financial activity have been included. LCPS is considered a component unit of the County of Loudoun, Virginia (County) and, accordingly, LCPS' financial position and results of operations are included in the County's CAFR for the fiscal year ended June 30, 2018. We specifically direct you to the section entitled, "Management's Discussion and Analysis" (MD&A) for a summary of LCPS' financial activity. The MD&A is management's narrative overview and analysis of the financial statements, which should be read in conjunction with the letter of transmittal.

The County of Loudoun, including LCPS, is required to undergo an annual compliance or "single" audit in conformity with the provisions of the revised uniform guidance. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and the auditor's report on internal control over financial reporting and on compliance and other matters, is included in a separate report.

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

Organizational Structure

The Virginia Board of Education is responsible for apportioning the Commonwealth of Virginia (State) into school divisions based on geographic area and school age population. The school divisions are charged with promoting the realization of the standards of quality required by Article VIII, of the Constitution of Virginia. The General Assembly shall determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed standards of quality, and shall provide for the apportionment of the cost of such programs between the Commonwealth and the local units of government comprising such school divisions. Each unit of local government shall provide its portion of such cost by local taxes or from other available funds. The supervision of schools in each school division shall be vested in a school board. The LCPS School Board function is to set general school policy and, within the framework of the Virginia Board of Education regulations, establish guidelines and rules that will ensure the proper administration of the school system. The nine-member School Board is elected by the County citizens and serves a four-year term. There is one member from each of the County's eight magisterial districts and one at-large member.

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

Economic Condition and Outlook

LCPS is the third largest of 132 school divisions in Virginia and continues to be one of the fastest growing. In FY19, membership is expected to increase by 1,483 students. In FY19, it will cost an average of $14,260 for personnel, employee benefits, and materials to provide school-level instructional and support services for each student.

Since 1999, the LCPS student population increased approximately 3,000 students each year. Student enrollment increased from 28,787 students in 1999 to 81,235 students in 2017. In September of 2018, LCPS enrollment totals 82,485 students.

Over the next six years, total student enrollment is projected to increase to 88,090 by the fall of 2024, or approximately 934 new students each year. The projected decline in the rate of student enrollment growth can be attributed to several factors, including lower birth rates and net migration.

Forbes magazine ranks Loudoun County as the wealthiest county in America with a per capita income of $125,900. Smart Asset.com ranks Loudoun County the happiest county in America, using an index that considers metrics including physical health, family stability and economic security. Loudoun County is a hub for high tech industry. Loudoun County Economic Development Authority estimates that 70 percent of the world's internet traffic passes through Loudoun County.

Loudoun's average cost per pupil for the 2017-2018 school year is $13,688, which puts it fourth out of five school divisions in average cost per pupil in the Northern Virginia area. In FY18, staffing increased to 11,102.8 FTE'S to accommodate increased enrollment and the opening of new schools.

On April 3, 2018, the Loudoun County Board of Supervisors approved an appropriation for LCPS of $1,187,317,681 for FY19, which was an increase of $73.8 million, or 6.6% from FY18 appropriated levels.

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

As LCPS sustains its comprehensive educational programs, school staff will focus on achieving success in the following areas. Encourage academic achievement through sound instructional strategies as well as developing programs to improve SOL test results. Increase efficiency and effectiveness by developing and implementing a strategic Bus Fleet Management Program. Implement effective inclusion of students with disabilities in general education classrooms by 2020. Maintain a progressive technology program with individualized computer-based instruction.

To continue to encourage parental and community involvement. To offer fair and competitive compensation to retain and attract a highly capable workforce. To pursue excellence in academic achievement for all LCPS students. Developing a framework for professional learning for the district.

Major Initiatives

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

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

The following mission, strategic goals, and core beliefs constitute the Strategic Framework for the Strategic Plan of the Loudoun County Public Schools:

A. <u>Mission:</u> Empowering all students to make meaningful contributions to the world.

B. <u>Strategic Goals:</u>
   1. Develop knowledgeable critical thinkers, communicators, collaborators, creators, and contributors;
   2. Cultivate a high-performing team of professionals focused on our mission and goals; and
   3. Deliver effective and efficient support for student success.

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

Academic Achievement

LCPS had a 95.5% on-time graduation rate in 2018. LCPS ranked 18th out of Virginia's 131 school divisions in on-time graduation. Among the Northern Virginia school divisions, only Falls Church City (99.5%) had a higher graduation rate. Thirteen of Loudoun's 15 high schools had a graduation rate at or above the state average (91.1%).

2018 SAT scores for LCPS stayed well above state and national averages. The average overall score for the 4,290 LCPS students was 1,184. The LCPS total average exceeded the state average by 67 points and the national average by 116 points.

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

Fourteen Loudoun middle schools have the School to Watch designation, the most of any school division in America. Sponsored by the National Forum to Accelerate Middle Grades Reform, the goal of Schools to Watch (STW) is to identify and recognize outstanding middle schools across the nation.

One hundred percent of LCPS schools are Fully Accredited by the Virginia Department of Education. This is a far higher rate than the state average of 81%. These ratings are based on Standards of Learning (SOL) testing during the 2016-17 school year.

Sixty-two LCPS buildings were awarded the 2017 ENERGY STAR label by the federal Environmental Protection Agency (EPA). ENERGY STAR is the national, official symbol of energy efficiency in America. A building that earns an ENERGY STAR award uses less energy than 75 percent of similar buildings in the U.S. Department of Energy's Commercial Building Energy Consumption Survey. The attainment of the ENERGY STAR awards is the result of work by the LCPS Department of Support Services and its Energy Education Program. The number of LCPS ENERGY STAR buildings has grown from seven in 2008 to its current number.

For the second consecutive year, LCPS has been named to the Annual AP District Honor Roll. To earn the honor, districts must increase the number of students participating in AP courses while also increasing or maintaining the percentage of students earning AP test scores of three or higher.

LCPS was one of 15 school divisions to earn the Virginia Board of Education Distinguished Achievement Award from the Governor and State School Board. In order to receive this recognition, school divisions must meet all state and federal achievement benchmarks and achieve all applicable excellence goals.

Emerick Elementary was named a Blue Ribbon School by the federal Department of Education. Emerick is one of only seven Virginia schools to earn this designation in 2017. (Only 342 of America's more than 130,000 schools were honored.)

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

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

Community Involvement

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

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

Future Challenges

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

- The continued enrollment growth of 934 students per year for the foreseeable future. One of the primary budgetary increases each year is to provide sufficient staff to address the educational needs of the additional students. In addition, enrollment growth creates the need to continue building and opening new schools.

•The continuous need for additional schools and the debt incurred in order to build those schools has a significant impact on the County's debt capacity.

•While class sizes currently meet School Board goals, significant financial resources will continue to be required to maintain. Operating budget funds will be needed to fund additional staff and CIP funds will be needed to build additional classrooms.

•Employee compensation continues to be a priority for the School Board. In FY19, all eligible employees will receive a step increase and those employees at the top step of their scale will receive a one-time 1% payment. A 1.3% market increase was applied to the Classified, Administrator, and Auxiliary salary scales. Further restructuring of the teacher salary scale was achieved to help alleviate the sag that occurs in mid- years when compared to surrounding jurisdictions. Finally, the third phase of the reclassification study will occur in FY19. Compensation will continue to be a challenge as LCPS tries to maintain a competitive position relative to surrounding jurisdictions.

•The School Board will continue to make decisions concerning the most efficient and effective staffing levels for LCPS schools.

•Educational program enhancement or the addition of new programs will be challenging since it will be competing with both class size reductions and employee compensation.

•Maintaining universal full-day kindergarten is a strategic goal that will be challenged by enrollment and space limitations at the schools.

Management Controls

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

Internal Controls

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

Budgetary Controls

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

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LCPS for its CAFR beginning in the fiscal year ended June 30, 2009 and each CAFR through 2017. In order to be awarded a GFOA Certificate of Achievement, certain requirements must be met, including the issuance of an easily readable and efficiently organized CAFR. The report must also satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

LCPS was also awarded the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting beginning in the fiscal year 2009 and each CAFR through 2017. ASBO's *Certificate of Excellence in Financial Reporting* program fosters excellence in the preparation and issuance of school system's annual financial reports.

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

Acknowledgements

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

The current accounting and financial reporting standards represent significant enhancements and enable increased efficiency in governmental accounting and financial reporting. LCPS continues to support the achievements in these areas by GASB, GFOA, and the ASBO.

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

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

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

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

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

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

Respectfully submitted,

Dr. Eric Williams
Division Superintendent

Sharon Willoughby
Assistant Superintendent for Business and Financial Services

School Board Members and Administration

Loudoun County Public Schools
As of June 30, 2018

SCHOOL BOARD

Jeff Morse
Chairman
Dulles District

Brenda L. Sheridan
Vice Chairman
Sterling District

Eric Hornberger
Ashburn District

Debbie K. Rose
Algonkian District

Jill A. Turgeon
Blue Ridge District

Joy R. Maloney
Broad Run District

Eric J. DeKenipp
Catoctin District

Tom C. Marshall
Leesburg District

Beth A. Huck
At Large

ADMINISTRATION

Dr. Eric Williams
Superintendent

Dr. Michael Richards
Chief of Staff

Dr. Ashley F. Ellis
Assistant Superintendent for Instruction

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

Sharon V. Willoughby
Assistant Superintendent for Business & Financial Services

Vacant
Assistant Superintendent for Pupil Services

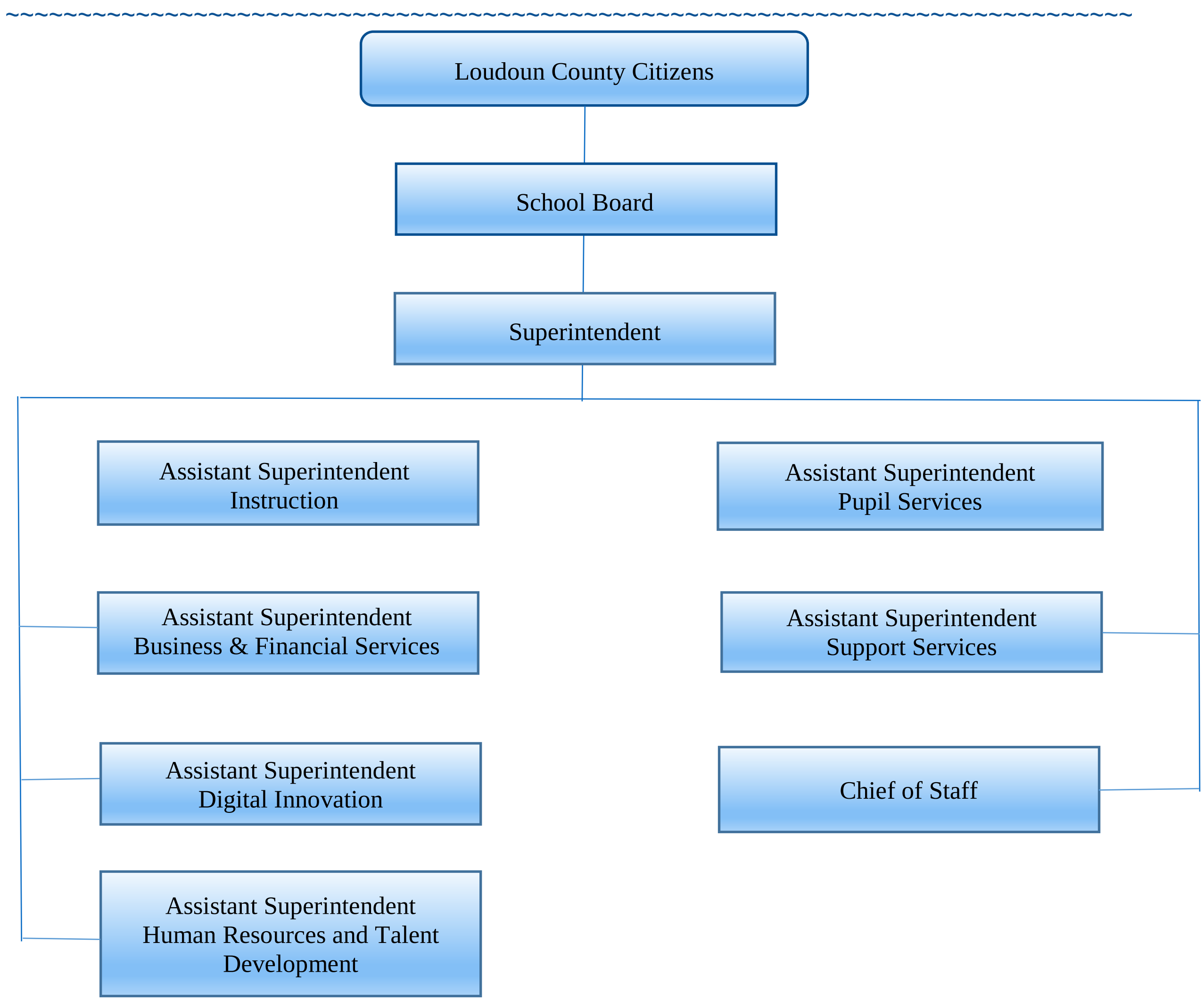
Kevin L. Lewis
Assistant Superintendent for Support Services

Vince Scheivert
Assistant Superintendent for Digital Innovation

Stephen L. DeVita
Division Counsel

Christine E. Coleman
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 CAFR, for the ninth year ended June 30, 2017. This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting. The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. Participation in the Certificate of Excellence in Financial Reporting program validates LCPS' commitment to fiscal and financial integrity and enhances the credibility of LCPS' operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by LCPS in its CAFR based upon specific standards established by the Governmental Accounting Standard Board.

GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Loudoun County Public Schools (LCPS) for its Comprehensive Annual Financial Report (CAFR) for the ninth year ended June 30, 2017. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious national award which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

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

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FINANCIAL SECTION

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

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REPORT OF INDEPENDENT AUDITOR

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the School Board and Management
Loudoun County Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Loudoun County Public Schools (the "LCPS"), a component unit of Loudoun County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the LCPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Funds, an agency fund of the LCPS, which represents 3% of the total assets of the aggregate remaining fund information. We also did not audit the financial statements of the Middleburg Community Charter School (the "MCCS") and Hillsboro Charter Academy (the "HCA"), LCPS' discretely presented component units. The financial statements of the Student Activity Funds, MCCS, and HCA were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Student Activity Funds, MCCS, and HCA, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). The financial statements of the Student Activity Funds, MCCS, and HCA were not audited in accordance with the Specifications. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Loudoun County Public Schools, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 18 to the financial statements, effective July 1, 2017, LCPS adopted the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

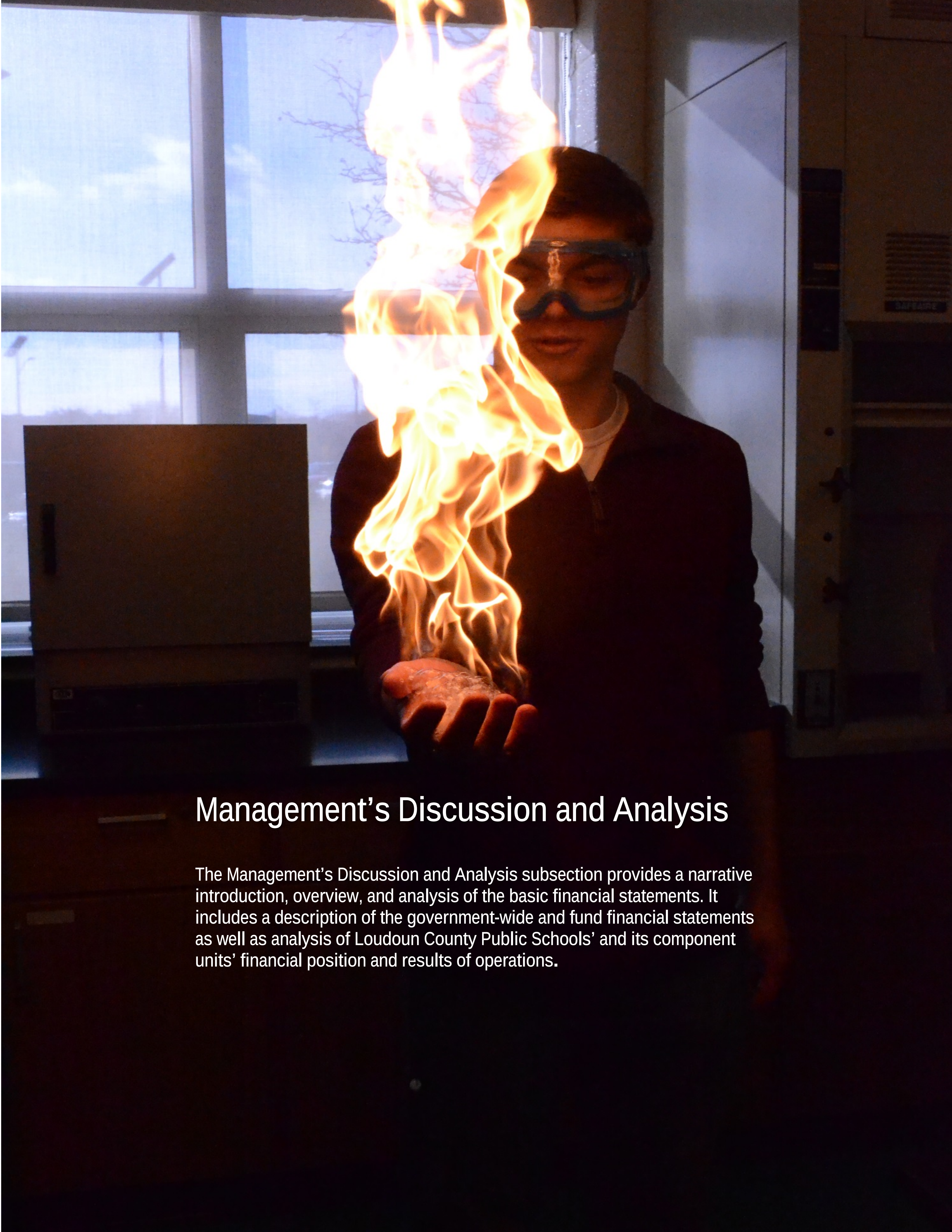
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, 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.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 30, 2018



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’ financial position and results of operations.

Management's Discussion and Analysis

It is a pleasure to present the financial performance of Loudoun County Public Schools (LCPS). This subsection of the Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the financial activities of LCPS for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information we furnished in our letter of transmittal, which is also contained in this CAFR.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

- The assets and deferred outflows of resources of the total reporting entity, which includes the Charter School component units, exceeded liabilities and deferred inflows of resources (net position) by $918.2 million at June 30, 2018. Of this amount, $1,787.6 million is net investment in capital assets.

- At the close of the fiscal year, total revenue of the reporting entity amounted to $1,337.7 million, while total expenses incurred were $1,171.0 million, which resulted in an increase in net position of $166.7 million, as compared to the net increase of $77.4 million for fiscal year 2017 or 115.4% increase. This increase is due to an increase in revenue of $149.8 million less an increase of $60.5 million in expenses. LCPS restated net position (decrease of $166.0 million), OPEB long-term liabilities (increase of $175.4 million) and deferred outflows of resources (increase of $9.4 million) related to OPEB as of the beginning of the fiscal year to reflect the implementation of GASB 75 in relation to LCPS OPEB trust and the inclusion of OPEB benefits provided through VRS.

- Fiscal year ended June 30, 2018 reported LCPS' costs of governmental activities of $1,166.3 million, which exceeded program revenues (charges for services, $22.0 million; operating grants and contributions, $60.9 million; and capital grants and contributions, $195.3 million) by $888.1 million.

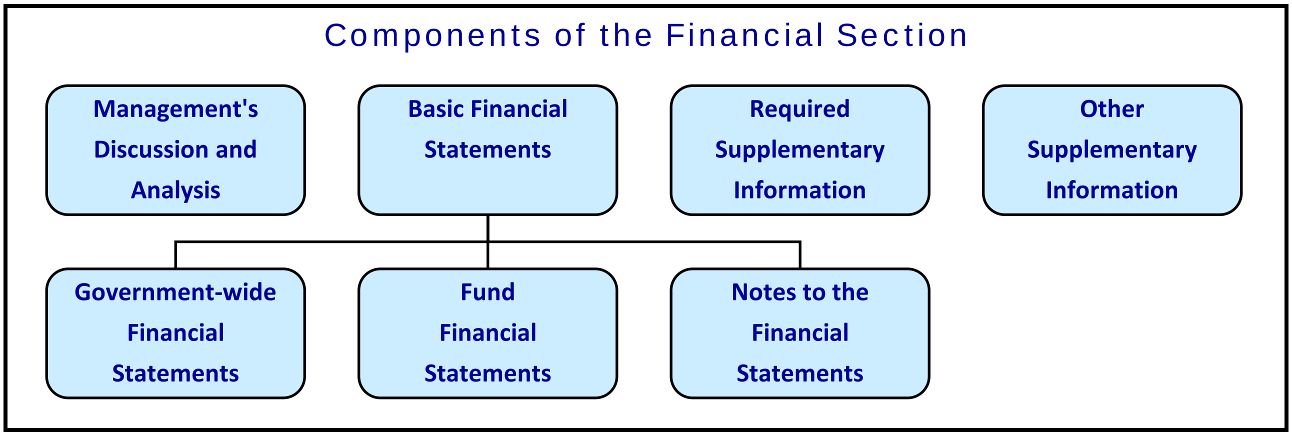
- General revenues, which are funds available for all educational purposes, including contributions from the County of Loudoun, Virginia (County), and other changes in net position in the amount of $1,054.7 million, were sufficient to cover the excess of programs' costs over revenues.

- The Charter Schools ended the fiscal year by reporting $4.7 million in operating grants and contributions, and $.04 million in charges for services. Total expenses incurred were $4.6 million. General revenues of $.1 million, in addition to the excess of program revenue over program costs, resulted in an increase of net position of $.2 million for 2018.

FUND FINANCIAL STATEMENTS

- LCPS' governmental funds reported a combined fund balance of $106.5 million at June 30, 2018, a decrease of $6.6 million over the prior year.

- At June 30, 2018, the General Fund reported an ending fund balance of $36.3 million, a decrease of $4.3 million from June 30, 2017.



OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

GOVERNMENT- WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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 $918.0 million at the close of fiscal year 2018, representing an increase of $166.6 million from the net position at June 30, 2017 due to the restatement of the 2017 ending net position as noted prior.

By far, the largest portion of LCPS' net position (194.7 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 is still outstanding. LCPS uses these capital assets to provide services; consequently, they are not available for future spending.

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

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

LCPS is responsible for the outstanding debt obligations of capital leases amounting to $25.2 million at June 30, 2018.

The following table provides a summary of net position as of June 30, 2018 and 2017:

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

	Primary Government			Component Units		
	2018	2017*	Variance	2018	2017	Variance
ASSETS						
Current and other assets	$ 315.3	$ 290.7	$ 24.6	$ 0.3	$ 0.2	$ 0.1
Capital assets, net	1,837.5	1,699.2	138.3	-	-	-
Total assets	2,152.7	1,989.9	162.8	0.3	0.2	0.1
DEFERRED OUTFLOWS OF RESOURCES	200.4	209.0	(8.6)	-	-	-
LIABILITIES						
Current liabilities	135.9	136.7	(0.8)	-	0.1	(0.1)
Long-term liabilities*	1,190.4	1,276.8	(86.4)	-	-	-
Total liabilities	1,326.3	1,413.5	(87.2)	-	0.1	(0.1)
DEFERRED INFLOWS OF RESOURCES	108.9	34.0	74.9	-	-	-
NET POSITION						
Net Investment in capital assets	1,787.6	1,634.3	153.3	-	-	-
Restricted	2.3	1.9	0.4	-	-	-
Unrestricted, restated	(872.0)	(884.7)	12.7	0.3	0.1	0.2
Total net position, restated	$ 918.0	$ 751.4	$ 166.6	$ 0.3	$ 0.1	$ 0.2

*2017 Restated for OPEB

STATEMENT OF ACTIVITIES

The following table provides a summary of the changes in LCPS' net position for the fiscal years ended June 30, 2018 and 2017:

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

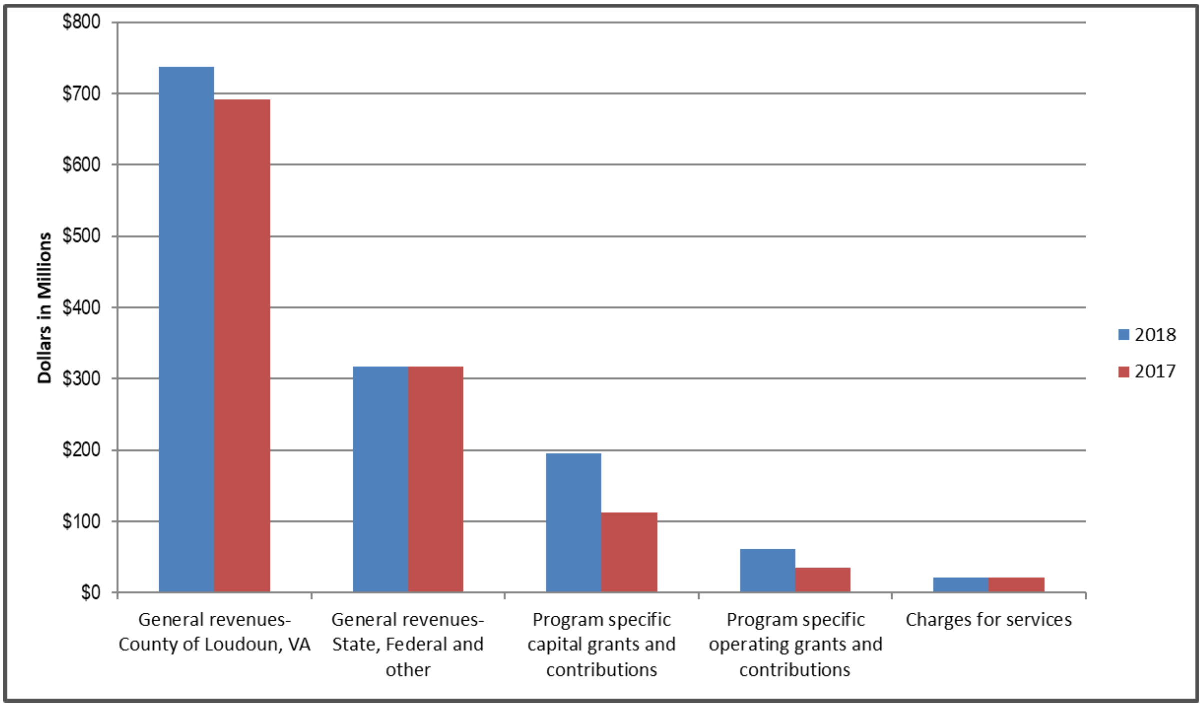
	Primary Government			Component Units		
	2018	2017	Variance	2018	2017	Variance
REVENUES						
Program revenues:						
Charges for services	$ 22.0	$ 21.5	$ 0.5	$ -	$ -	$ -
Operating grants and contributions	60.9	35.0	25.9	4.7	4.2	0.5
Capital grants and contributions	195.3	112.1	83.2	-	-	-
General revenues:						
Grants and contributions	1,047.0	1,009.2	37.8	-	-	-
Revenue from the use of money	2.0	1.8	0.2	-	-	-
Other	5.6	4.1	1.5	0.1	-	0.1
Total revenues	1,332.9	1,183.7	149.2	4.8	4.2	0.6
EXPENSES						
Instruction:						
Regular	721.6	690.0	31.6	-	-	-
Special	166.5	160.6	5.9	-	-	-
Adult education	0.9	0.8	0.1	-	-	-
Other	1.7	1.8	(0.1)	-	-	-
Charter Schools	3.8	3.3	0.5	-	-	-
Support Services:						
Administration	28.5	26.7	1.8	-	-	-
Attendance and health	15.8	15.0	0.8	-	-	-
Pupil transportation	60.7	56.1	4.6	-	-	-
Facilities services	5.2	4.2	1.0	-	-	-
Operation and maintenance	97.1	84.0	13.1	-	-	-
School nutrition services	27.5	26.1	1.4	-	-	-
Technology	36.8	37.4	(0.6)	-	-	-
Charter Schools	-	-	-	4.7	4.2	0.5
Interest on long-term debt	0.3	0.3	-	-	-	-
Total expenses	1,166.3	1,106.3	60.0	4.7	4.2	0.5
Change in net position	166.6	77.4	89.2	0.2	-	0.2
Net position, beginning of year	751.4	840.1	(88.7)	0.1	0.1	-
Cumulative effect of change in accounting principles	-	(166.0)	166.0	-	-	-
Net position, end of year, restated	$ 918.0	$ 751.4	$ 166.6	$ 0.3	$ 0.1	$ 0.2

Revenues

Revenues for LCPS' governmental activities totaled $1,332.9 million during the fiscal year 2018, representing an increase of $149.2 million over fiscal year 2017.

The following chart represents revenues by source for the fiscal years ended June 30, 2018 and 2017:

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



The events contributing to the increase in revenues during the fiscal year 2018 were:

- Operating grants and contributions increased $25.9 million, or 74.1 percent, from fiscal year 2017. The increase was a result primarily of increased revenue for funds in regular, special, and adult education ($29.8 million or 146.7 percent), whereas grants for other services decreased by ($3.9 million or 72.6 percent).

- Capital grants and contributions increased $83.2 million from fiscal year 2017 due to an increase in revenue for construction from the County ($76.3 million) and donated land from the County ($6.9 million).

- From the previous fiscal year, LCPS received an increase of $39.5 million in general revenues. LCPS received a 6.5 percent increase, or $44.9 million, in the contribution from the County. This contribution is LCPS' primary revenue source. Additionally, LCPS received decreased general revenues from the Commonwealth of Virginia of $6.8 million or 1.02 percent from 2017. This reduction was due primarily to deferred sales tax revenue. All other general revenues – grants and contributions increased by $1.4 million from 2017.

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 2018 and 2017:

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

	Total Cost of Function			Net Cost (Revenue) of Function		
Function	2018	2017	Percent Variance	2018	2017	Percent Variance
Governmental Activities:						
Instruction:						
Regular	$ 721.6	$ 690.0	4.6%	$ 702.8	$ 679.8	3.4%
Special	166.5	160.6	3.7%	132.9	148.2	-10.3%
Adult education	0.9	0.8	16.9%	-	0.2	0.0%
Other	1.7	1.8	-7.6%	1.6	1.8	-11.1%
Charter schools	3.8	3.3	100.0%	3.8	3.3	100.0%
Support Services:						
Administration	28.5	26.7	6.8%	28.5	25.9	10.2%
Attendance and health	15.8	15.0	5.5%	15.8	15.0	5.5%
Pupil transportation	60.7	56.1	8.1%	60.7	56.1	8.1%
Facilities services	5.2	4.2	23.8%	(190.1)	(107.9)	-76.2%
Operation and maintenance	97.1	84.0	15.6%	97.1	84.0	15.6%
School nutrition services	27.5	26.1	5.4%	(1.5)	(2.7)	-44.2%
Technology	36.8	37.4	-1.7%	36.2	33.8	7.2%
Interest on long-term debt	0.3	0.3	0.0%	0.3	0.3	0.0%
Total expenses	$ 1,166.3	$ 1,106.3	5.4%	$ 888.1	$ 937.7	-5.3%

The total costs of LCPS' programs for fiscal year 2017 were $1,166.3 million, which represents an increase of $60.0 million over fiscal year 2017. Some of the costs of governmental activities were paid by those who directly benefited from the programs ($22.0 million) and other government and organizations that subsidized certain programs with grants and contributions ($256.2 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.

Salaries and benefits make up 92.8 percent and 94.4 percent of regular and special instruction expenses, respectively. Regular instruction expenses increased $31.6 million and special instruction expenses increased $5.9 million from the prior fiscal year. There was also an increase in enrollment.

The majority of LCPS' functional areas required general revenues to cover their operational costs. In fiscal year 2018, facilities services and school nutrition services functions were self-supporting with program revenues exceeding program costs by $190.1 million and $1.5 million respectively.

The primary source of adult education services was operating grants from the Commonwealth of Virginia. The primary revenue source of facilities was general obligation bond proceeds from the County used for the construction, acquisition, or renovation of capital assets. The primary revenue source of school nutrition was charges for services.

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

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

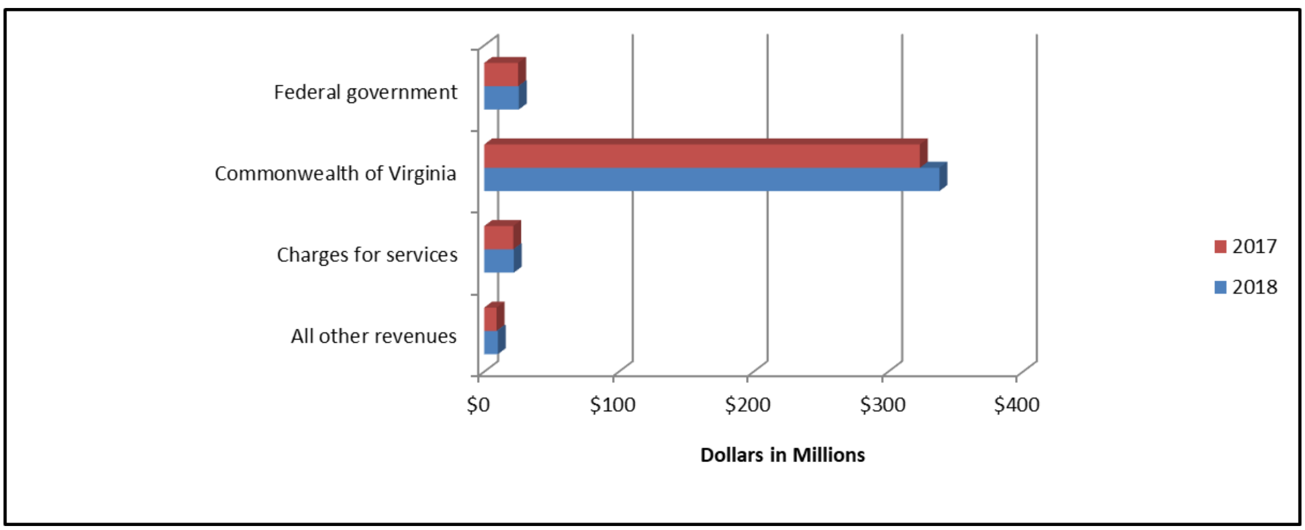
As of June 30, 2018, LCPS' governmental funds, reported a combined fund balance of $106.5 million, a decrease of $6.6 million, compared to an increase of $1.3 million at June 30, 2017.

Of the combined fund balance, approximately $0.5 million was nonspendable and not available for future funding, $2.3 million was restricted by fiscal agents, $55.7 million was committed by various board actions, and $48.0 million was assigned to specific contractual and financial planning purposes.

The total revenues for governmental funds in fiscal year 2018 totaled $1,321.1 million, an 11.6 percent increase over fiscal year 2017. LCPS' primary source of revenue was intergovernmental (from the Federal government, State, and the County) and amounted to $1,289.0 million in fiscal year 2018, an 11.8 percent increase over fiscal year 2017. All other revenue sources (e.g., charges for services, and recovered costs) totaled $32.0 million, representing an increase of 4.5 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, 2018 and 2017:

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 2018 include:

- Funding from the County increased $121.1 million from fiscal year 2017 to support general LCPS operations. This represents a 15.0 percent increase from fiscal year 2017.

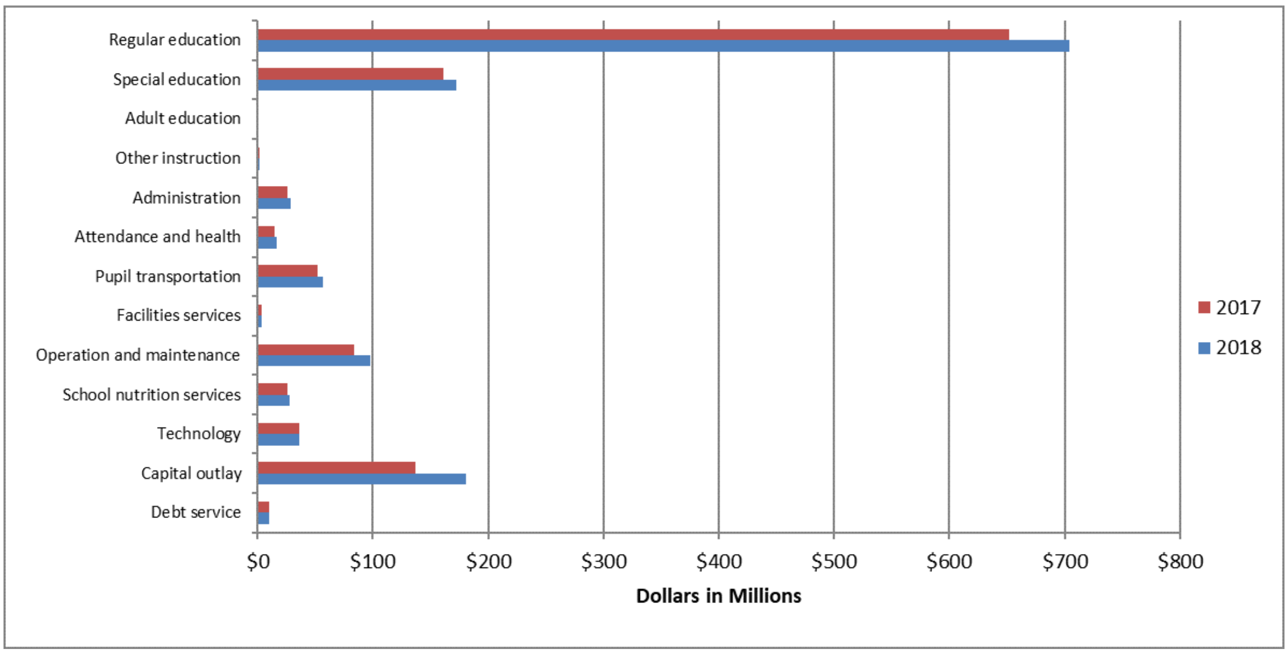
- Revenue from the Federal government increased by $0.4 million.

- The State allocates one and one-eighths percent of the six percent State sales tax to run programs for school age children. Sales tax revenue decreased by $5.0 million. The primary factor in the decrease is a deferral of $5.0 million in Sales tax revenue due to a legislative change as to the disbursement timing of tax revenue. Other State revenue increased by $14.0 million from fiscal year 2017.

- LCPS received an additional $3.7 million for Basic Aid from the State, which is the primary component of the Standards of Quality (SOQ). The SOQ establishes standards for personnel, instructional materials, and system wide planning and management. In addition, the SOQ establishes performance objectives for the Virginia Board of Education and local school divisions.

The following chart compares the expenditures (excluding transfers out) for each LCPS' functional area for the fiscal years ended June 30, 2018 and 2017:

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



Excluding other financing uses, the total expenditures for governmental funds for the fiscal year ended June 30, 2018 were $1,337.8 million, an increase of 10.0 percent over fiscal year 2017. Regular and special instruction continue to be LCPS' largest programs.

For the fiscal year ended June 30, 2018, regular instruction expenditures were $703.6 million in comparison to $651.6 million in fiscal year 2017. This represents an increase of $52.0 million, or 7.0 percent.

Special instruction expenditures amounted to $172.2 million, representing an increase of $11.5 million, or 7.1 percent. The majority of regular and special instruction expenditures were primarily attributed to salaries and benefits.

Regular and special instruction had a $63.5 million combined increase in expenditures in comparison to fiscal year 2017, due primarily to 3724 additional students being educated, and one school opening. LCPS' third largest program, operations and maintenance, includes all activities concerned with keeping LCPS' buildings, grounds, and equipment in effective working condition. At the close of fiscal year 2018, expenditures totaled $98.2 million. Operations and maintenance costs increased by $14.7 million from the prior year.

Capital outlays for the total governmental funds increased by $43.6 million. Capital outlay expenditures were $180.9 million compared to $137.3 million during fiscal year 2017.

The increase of 31.7 percent from the prior year is due mainly to an increase in projects under construction including one new school completed and opened in 2018. Outlays included items such as the continuation of several large school renovation projects from the prior year and the purchase of additional school buses, equipment, classroom computers, and library materials, as well as new school construction.

Other factors accounting for expenditures during fiscal year 2018 include:

- Expenditures for pupil transportation increased $4.9 million, or 9.5 percent. This increase represents a change in number of students transported and one additional school in service.

- Administration, Attendance and Health, and Facilities services expenditures increased $3.9 million or 9.6 percent from fiscal year 2017.

- There was no significant change from fiscal year 2017 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 $36.3 million. The General Fund's revenues increased $68.2 million, or 6.8 percent, from the previous fiscal year, while expenditures (excluding other financing uses) increased $78.1 million, or 7.7 percent. The increase in revenues, the increase in expenditures, the changes to other financing sources and uses resulted in a net decrease in fund balance of $4.3 million from the prior fiscal year. The total fund balance at June 30, 2018 for the General Fund represents 34.1 percent of the total combined fund balance of all governmental funds.

The Capital Improvements Fund, which accounts for LCPS' major capital projects, ended the current fiscal year with $46.7 million fund balance. All of the fund balance is committed to fund next year's operations. The Capital Improvement Fund's revenue of $169.9 million is an increase of $66.8 million, or 64.7%, from the previous year. The expenditures of $173.6 million for fiscal year 2018 is an increase of $48.8 million from fiscal year 2017, or 39.1 percent. The increase in revenues and the increase in expenditures resulted in a net decrease in fund balance of $3.6 million from the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

During fiscal year 2018, the amendment to the General Fund's budget was an increase to expenditures for the carryover of encumbrance obligations from fiscal year 2017. Actual revenues were less than the final amended budget by $22.4 million, while actual expenditures were $43.9 million less than amended budget, or 4.0 percent. The $43.9 million variance between actual and amended budget for expenditures was a result of savings in: regular education of $6.8 million; operation and maintenance of $7.4 million; special education 9.1 million; all other functions of $20.6 million.

The following table presents a summary comparison of the General Fund's original and final budgets with actual performance for the fiscal year ended June 30, 2018:

GENERAL FUND BUDGET AND ACTUAL COMPARISON
For the Fiscal Year Ended June 30, 2018
(Dollars in Millions-may not foot due to rounding)

	Original Budget	Final Budget	Actual	Variance from Final Budget
Total revenues	$ 1,100.7	$ 1,100.7	$ 1,078.2	$ (22.5)
Total expenditures	(1,113.5)	(1,126.4)	(1,082.5)	43.9
Total other financing uses	0.8	0.8	-	(0.8)
Net change in fund balances	$ (12.0)	$ (25.0)	$ (4.3)	$ 20.7

CAPITAL ASSETS AND LONG-TERM LIABILITIES

CAPITAL ASSETS

At June 30, 2018, LCPS' investment in capital assets for governmental activities totaled $2,431.3 million. Accumulated depreciation totaled $593.8 million resulting in capital assets, net of accumulated depreciation of $1,837.5 million. This represents a net increase in capital assets of $138.3 million, or 8.1 percent, over the prior year.

Major capital asset events during fiscal year 2018 included the following:

- LCPS acquired $12.8 million in equipment and machinery.
- Total capital asset disposals amounted to $6.9 million.
- LCPS recorded the completion of one middle school and several renovation projects. Costs incurred during fiscal year 2018 amounted to $55.1 million.
- Costs associated with ongoing projects remained in construction in progress at the fiscal year end. These projects include cumulative construction expenditures of $174.5 million.
- LCPS received donated land and building of $6.9 million from the County.
- 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, 2018 and 2017:

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

	Book Value (net of depreciation)*	
Capital Asset Category	2018	2017
Land	$ 156.5	$ 149.9
Construction in progress	261.1	147.7
Buildings	1,387.2	1,373.8
Machinery and equipment	28.7	23.6
Improvements other than buildings	3.8	4.2
Total	$ 1,837.5	$ 1,699.2

* Except for land and construction in progress.

LONG-TERM LIABILITIES

As of June 30, 2018, LCPS reported total outstanding debt of $1,190.4 million, compared to $1,276.8 million at June 30, 2017, restated. Of this amount, $848.0 million related to pension liability. OPEB Liabilities total $263.5 million in 2018 as compared to $267.0 million for 2017, restated. The restated OPEB liability is due to new accounting rules for OPEB. $25.2 million is related to capital leases. Compensated absences are $35.5 million in 2018 as compared to $26.8 million in 2017. The increase in compensated absences is due to the addition of the liability for retiree bonus calculations. LCPS' additions to capital leases related to $10.0 million for computers, vehicles and other equipment. The following is a summary of LCPS' gross outstanding long-term liabilities for governmental activities.

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

	2018	2017
Compensated absences	$ 35.5	$ 26.8
Claims liabilities	18.3	17.3
Leases payable	25.2	25.2
OPEB liability, restated*	263.5	267.0
Net pension liability	848.0	940.6
Total	$ 1,190.4	$ 1,276.8

*OPEB beginning balance restated to reflect GASB 75

Further detail is provided below for the OPEB Liabilities:

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

	2018	2017*
Virginia Local Disability Program	$ 0.2	$ 0.2
Group Life Insurance	48.7	54.5
Health Insurance Credit	87.7	84.6
OPEB liability, restated	127.0	127.8
Total	$ 263.5	$ 267.0

*OPEB beginning balance restated to reflect GASB 75

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

LCPS is challenged with an increasing enrollment. The student growth rate for general education is increasing at a rate of 2.9% and LCPS faces challenges in meeting the educational needs of this increasing student population.

The primary source of revenue for LCPS comes from the County. The County's fiscal outlook for the upcoming year projects that the funding LCPS can expect to receive will be better than the past budget year.

The primary focuses are a step increase for all eligible employees, additional restructuring to the teacher salary scales to enhance competitiveness, the opening of the Academies of Loudoun (Academy of Engineering and Technology, Academy of Science, and Monroe Advanced Technical Academy), implementation of a mental health initiative and the restoration of textbook funding. The other major source of LCPS' revenues is driven by student enrollment, particularly in the area of State and Federal aid.

The fiscal year 2019 approved operating budget maintains existing programs that support LCPS' student achievement goals, allocates resources in support of LCPS' beliefs, and conserves fiscal resources. The approved operating budget includes a $76.3 million, or 6.9 percent, increase in expenditures over the fiscal year 2018 approved budget.

CONTACTING LCPS MANAGEMENT

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

This CAFR can also be found on LCPS website at www.lcps.org.

BASIC FINANCIAL STATEMENTS

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

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LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit I

Statement of Net Position

June 30, 2018

	Primary Government	Component Units		
	Governmental Activities	Middleburg Community Charter School	Hillsboro Charter Academy	Total Reporting Entity
ASSETS				
Cash and cash equivalents	$ 200	$ 91,372	$ 220,712	$ 312,284
Accounts receivable, net	7,646,757	-	2,424	7,649,181
Due from County	282,371,071	-	-	282,371,071
Due from component unit	10,682	-	-	10,682
Due from other governmental units	17,749,609	-	-	17,749,609
Inventories	1,092,184	-	-	1,092,184
Prepaid items	181,270	-	3,350	184,620
Deposits	2,719,000	-	-	2,719,000
Restricted cash on deposit with others	3,485,817	-	-	3,485,817
Nondepreciable capital assets	417,683,208	-	-	417,683,208
Depreciable capital assets, net of depreciation	1,419,792,877	-	-	1,419,792,877
Total assets	2,152,732,675	91,372	226,486	2,153,050,533
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to other postemployment benefits	28,508,136	-	-	28,508,136
Deferred outflows related to pension	171,886,000	-	-	171,886,000
Total deferred outflows of resources	200,394,136	-	-	200,394,136
LIABILITIES				
Accounts payable	32,644,378	24,843	5,035	32,674,256
Accrued interest payable	311,974	-	-	311,974
Accrued liabilities	82,697,579	2,591	-	82,700,170
Due to Primary Government	-	55	10,627	10,682
Contract retainages	12,897,553	-	-	12,897,553
Other liabilities	3,673,009	-	-	3,673,009
Unearned revenues	3,670,209	-	1,321	3,671,530
Long-term liabilities:				
Due within one year	31,104,147	-	-	31,104,147
Due in more than one year	1,159,293,082	-	-	1,159,293,082
Total liabilities	1,326,291,931	27,489	16,983	1,326,336,403
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to other postemployment benefits	9,726,502	-	-	9,726,502
Deferred inflows related to pension	99,145,000	-	-	99,145,000
Total deferred inflows of resources	108,871,502	-	-	108,871,502
NET POSITION				
Net investment in capital assets	1,787,598,402	-	-	1,787,598,402
Restricted for:				
Permanent fund-nonexpendable	25,870	-	-	25,870
Legal agreement	2,293,825	-	-	2,293,825
Unrestricted	(871,954,719)	63,883	209,503	(871,681,333)
Total net position	$ 917,963,378	$ 63,883	$ 209,503	$ 918,236,764

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS
Statement of Activities

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Instruction:				
Regular	$ 721,595,070	$ 2,760,144	$ 16,061,015	$ -
Special	166,515,819	-	33,648,464	-
Adult education	860,289	385,736	515,298	-
Other	1,689,859	58,841	-	-
Charter Schools	3,771,454	-	-	-
Total instruction	894,432,491	3,204,721	50,224,777	-
Support Services:				
Administration	28,549,412	-	-	-
Attendance and health	15,768,881	-	-	-
Pupil transportation	60,653,658	-	-	-
Facilities services	5,181,035	-	-	195,274,010
Operation and maintenance	97,125,742	-	-	-
School nutrition services	27,464,983	18,808,535	10,134,299	-
Total support services	234,743,711	18,808,535	10,134,299	195,274,010
Technology	36,783,840	-	585,290	-
Interest on long-term debt	330,571	-	-	-
Total Primary Government	$ 1,166,290,613	$ 22,013,256	$ 60,944,366	$ 195,274,010
Component Units:				
Middleburg Community Charter School	$ 2,491,810	$ -	$ 2,557,818	$ -
Hillsboro Charter Academy	$ 2,181,656	$ 42,802	$ 2,151,865	$ -

General revenues:

Grants and contributions not restricted to specific purposes:

Federal government

Commonwealth of Virginia

County of Loudoun, Virginia

Revenue from the use of money and property

Other

Total general revenues

Change in net position

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

Net position, end of year

See accompanying notes to the financial statements.

Exhibit II

Net (Expenses) Revenues and Changes in Net Position				
Primary Government	Component Units			
Governmental Activities	Middleburg Community Charter School	Hillsboro Charter Academy	Total Reporting Entity	Functions/Programs
				Primary Government:
				Instruction:
$ (702,773,911)			$ (702,773,911)	Regular
(132,867,355)			(132,867,355)	Special
40,745			40,745	Adult education
(1,631,018)			(1,631,018)	Other
(3,771,454)			(3,771,454)	Charter School
(841,002,993)			(841,002,993)	Total instruction
				Support Services:
(28,549,412)			(28,549,412)	Administration
(15,768,881)			(15,768,881)	Attendance and health
(60,653,658)			(60,653,658)	Pupil transportation
190,092,975			190,092,975	Facilities services
(97,125,742)			(97,125,742)	Operation and maintenance
1,477,851			1,477,851	School nutrition services
(10,526,867)			(10,526,867)	Total support services
(36,198,550)			(36,198,550)	Technology
(330,571)			(330,571)	Interest on long-term debt
(888,058,981)			(888,058,981)	Total Primary Government
				Component Units:
	$ 66,008	$ -	66,008	Middleburg Community Charter School
	-	13,011	13,011	Hillsboro Charter Academy
				General revenues:
				Grants and contributions not restricted to specific purposes:
107,774	-	-	107,774	Federal government
309,914,527	-	-	309,914,527	Commonwealth of Virginia
737,000,680	-	-	737,000,680	County of Loudoun, Virginia
1,987,844	4,842	2,410	1,995,096	Revenue from the use of money and property
5,612,799	1,766	79,686	5,694,251	Other
1,054,623,624	6,608	82,096	1,054,712,328	Total general revenues
166,564,643	72,616	95,107	166,732,366	Change in net position
751,398,735	(8,733)	114,396	751,504,398	Net position at beginning of year, restated (Note IV.L.)
$ 917,963,378	$ 63,883	$ 209,503	$ 918,236,764	Net position, end of year

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit III

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 200	$ -	$ -	$ 200
Accounts receivable, net	2,797,323	-	4,576,674	7,373,997
Due from County	282,371,071	-	-	282,371,071
Due from other governmental units	15,255,444	-	2,494,165	17,749,609
Interfund receivables	-	71,435,228	24,162,323	95,597,551
Due from component unit	10,682	-	-	10,682
Inventories	-	-	313,732	313,732
Prepaid items	180,142	-	1,128	181,270
Restricted cash on deposit with others	-	-	3,485,817	3,485,817
Total assets	$ 300,614,862	$ 71,435,228	$ 35,033,839	$ 407,083,929
LIABILITIES				
Accounts payable	$ 18,853,832	$ 11,450,567	$ 1,318,177	$ 31,622,576
Accrued liabilities	78,021,682	375,970	2,997,335	81,394,987
Interfund payables	158,676,198	-	3,561,464	162,237,662
Contract retainages	-	12,897,553	-	12,897,553
Other liabilities	3,673,009	-	-	3,673,009
Unearned revenues	-	-	3,670,209	3,670,209
Total liabilities	259,224,721	24,724,090	11,547,185	295,495,996
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to sales tax	5,044,729	-	-	5,044,729
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	313,732	313,732
Prepaid items and deposits	180,142	-	1,128	181,270
Permanent fund-nonexpendable	-	-	25,870	25,870
Restricted for:				
Restricted by legal agreement	-	-	2,293,825	2,293,825
Committed to:				
Subsequent years' appropriations	-	-	2,396,901	2,396,901
Capital improvements	-	46,711,138	-	46,711,138
Capital asset preservation	-	-	6,510,778	6,510,778
Assigned to:				
General Fund contractual obligations	20,588,162	-	-	20,588,162
General Fund subsequent year appropriations	15,500,000	-	-	15,500,000
School Nutrition Services Fund	-	-	11,944,420	11,944,420
Unassigned	77,108	-	-	77,108
Total fund balances	36,345,412	46,711,138	23,486,654	106,543,204
Total liabilities, deferred inflows and fund balances	$ 300,614,862	$ 71,435,228	$ 35,033,839	$ 407,083,929

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit IV

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2018

Fund balances - total governmental funds		$ 106,543,204
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental fund activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable capital assets	$ 417,683,208	
Depreciable capital assets	2,008,466,867	
Accumulated depreciation	(592,190,335)	
Total		1,833,959,740
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	$ 71,071,830	
Capital assets	5,163,063	
Accumulated depreciation	(1,646,718)	
Deferred outflows of resources	1,024,934	
Liabilities	(23,371,519)	
Deferred inflows of resources	(984,467)	
Total		51,257,123
Non-current liabilities related to governmental fund activities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (35,092,826)	
Leases liabilities	(25,153,593)	
Accrued interest on long-term debt	(311,974)	
Total		(60,558,393)
GAAP requires the recognition of nonexchange revenue (sales tax) to occur when earned and available in the governmental funds. Revenue earned, but not available in the current period is required to be reported as deferred outflows, while reported as revenue in the Statement of Net Position.		5,044,729
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	$ 170,982,000	
Net pension liability	(847,411,621)	
Deferred inflows of resources related to pensions	(98,226,000)	
Total		(774,655,621)
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	$ 28,387,202	
Net OPEB liability	(262,353,571)	
Deferred inflows of resources related to OPEB	(9,661,035)	
Total		(243,627,404)
Net position of governmental activities		$ 917,963,378

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, 2018

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Federal government	$ 107,774	$ -	$ 25,560,738	$ 25,668,512
Commonwealth of Virginia	334,329,801	-	3,663,548	337,993,349
County of Loudoun, Virginia	732,468,059	169,919,757	22,981,895	925,369,711
Charges for services:				
Tuition and fees	3,140,331	-	17,372	3,157,703
Food sales	-	-	18,808,535	18,808,535
Revenue from the use of money and property	2,032,297	-	-	2,032,297
Recovered costs	3,586,291	-	-	3,586,291
Other	2,570,910	-	1,939,638	4,510,548
Total revenues	1,078,235,463	169,919,757	72,971,726	1,321,126,946
EXPENDITURES				
Current:				
Instruction:				
Regular	696,604,520	-	7,024,264	703,628,784
Special	160,306,981	-	11,894,844	172,201,825
Adult education	538,844	-	349,454	888,298
Other	1,759,115	-	-	1,759,115
Support services:				
Administration	28,712,916	-	-	28,712,916
Attendance and health	16,226,541	-	-	16,226,541
Pupil transportation	57,043,127	-	-	57,043,127
Facilities services	3,957,909	14,080	-	3,971,989
Operation and maintenance	84,535,581	-	13,630,256	98,165,837
School nutrition services	494,489	-	27,353,662	27,848,151
Technology	29,327,533	-	6,747,113	36,074,646
Capital outlay	3,023,804	173,549,180	4,370,656	180,943,640
Debt service:				
Principal	-	-	9,992,314	9,992,314
Interest	-	-	301,581	301,581
Total expenditures	1,082,531,360	173,563,260	81,664,144	1,337,758,764
Deficiency of revenues under expenditures	(4,295,897)	(3,643,503)	(8,692,418)	(16,631,818)
OTHER FINANCING SOURCES (USES)				
Capital leases and installment purchases	-	-	10,000,000	10,000,000
Transfers in	44,677	-	-	44,677
Transfers out	-	-	(44,677)	(44,677)
Total other financing sources, net	44,677	-	9,955,323	10,000,000
Net change in fund balances	(4,251,220)	(3,643,503)	1,262,905	(6,631,818)
Fund balances at beginning of year	40,596,632	50,354,641	22,223,749	113,175,022
Fund balances at end of year	$ 36,345,412	$ 46,711,138	$ 23,486,654	$ 106,543,204

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2018

Net changes in fund balances - total governmental funds		$ (6,631,818)
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	$ 180,943,640	
Depreciation expense	(49,404,701)	
Total		131,538,939
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.		6,991,870
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.		(44,453)
Principal payments on capital leases are reported as expenditures in governmental funds. However, the principal payments reduce the liabilities in the Statement of Net Position and do not result in expenses in the Statement of Activities.		9,992,314
Proceeds from the issuance of long-term debt are reported as other financing sources in the governmental funds, increasing fund balance. In the government-wide statements, new debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This represents principal amounts of new capital leases.		(10,000,000)
In the Statement of Activities, sales tax receivable is recognized as revenue, while reported as deferred outflows of resources in the governmental funds.		5,044,729
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	$ 37,155,912	
Cost of benefits earned net of employee contributions	(24,341,378)	12,814,534
Compensated absences		(8,333,872)
Pensions:		
Pension contributions	$ 85,399,199	
Cost of benefits earned net of employee contributions	(85,825,000)	(425,801)
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.		25,647,191
Interest on capital leases is reported as expenditures in the governmental funds when it is due. However, in the Statement of Activities, interest is expensed as it accrues. This amount represents the net change in accrued interest on long-term debt.		(28,990)
Change in net position of governmental activities		$ 166,564,643

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VII

Statement of Net Position
Proprietary Funds
June 30, 2018

	Internal Service Funds
ASSETS	
Current assets:	
Accounts receivable, net	$ 272,760
Interfund receivables	67,301,618
Inventories	778,452
Deposits	2,719,000
Total current assets	71,071,830
Noncurrent assets:	
Capital assets:	
Buildings	4,676,411
Machinery and equipment	486,652
Accumulated depreciation	(1,646,718)
Total noncurrent assets	3,516,345
Total assets	74,588,175
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits	120,934
Deferred outflows related to pension	904,000
Total deferred outflows of resources	1,024,934
LIABILITIES	
Current liabilities:	
Accounts payable	1,021,802
Accrued liabilities	1,302,592
Interfund payables	661,507
Claims liabilities	17,280,892
Total current liabilities	20,266,793
Noncurrent liabilities:	
Compensated absences	361,551
Claims liabilities	976,799
Net other postemployment benefits liability	1,132,997
Net pension liability	633,379
Total noncurrent liabilities	3,104,726
Total liabilities	23,371,519
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other postemployment benefits	65,467
Deferred inflows related to pension	919,000
Total deferred inflows of resources	984,467
NET POSITION	
Invested in capital assets	3,516,345
Unrestricted	47,740,778
Total net position	$ 51,257,123

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit VIII

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

		Internal Service Funds
OPERATING REVENUES		
Charges for services	$	211,394,998
Use of property		12,587
Total operating revenues		211,407,585
OPERATING EXPENSES		
Claims		153,356,217
Personnel services		11,558,570
Other services and charges		11,186,151
Materials and supplies		9,452,163
Depreciation		207,293
Total operating expenses		185,760,394
Net operating income		25,647,191
Net position at beginning of year, restated (Note IV.L.)		25,609,932
Net position at end of year	$	51,257,123

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit IX

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 211,576,379
Payments to suppliers for goods and services	(21,039,324)
Claims paid	(152,379,418)
Payments to employees	(11,446,561)
Payments to interfund services	(26,711,076)
Net cash provided by operating activities	-
Net cash	-
Cash at beginning of year	-
Cash at end of year	$ -

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:

NET OPERATING INCOME	$ 25,647,191
ADJUSTMENTS NOT AFFECTING CASH	
Depreciation	207,293
(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES	
Accounts receivable, net	168,794
Interfund receivables	(26,445,334)
Inventories	(58,446)
Accounts payable	734,787
Accrued liabilities	(1,077,351)
Interfund payables	(265,742)
Claims liabilities	976,799
Compensated absences	361,551
Net other postemployment benefits liability	(94,741)
Net pension liability	(154,801)
Total adjustments	(25,647,191)
Net cash provided by operating activities	$ -

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit X

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Other Postemployment Benefits Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 7,981,132
Investments at fair value-investments in pooled funds	160,426,016	-
Total assets	160,426,016	$ 7,981,132
LIABILITIES		
Collections held in trust	-	$ 7,981,132
Total liabilities	-	$ 7,981,132
NET POSITION		
Net position restricted for other postemployment benefits	$ 160,426,016	

See accompanying notes to the financial statements.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XI

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Other Postemployment Benefits Trust
ADDITIONS	
Contributions:	
Employer	$ 27,724,264
Total contributions	27,724,264
Investment income:	
Interest	22,080
Net appreciation in investments	7,676,163
Investment management fees	(87,233)
Total investment income	7,611,010
Total additions	35,335,274
DEDUCTIONS	
Benefit payments	15,202,582
Administrative payments	521,682
Total deductions	15,724,264
Changes in net position	19,611,010
Net position restricted for other postemployment benefits, at beginning of year	140,815,006
Net position restricted for other postemployment benefits, at end of year	$ 160,426,016

See accompanying notes to the financial statements.

Notes to the Financial Statements

Loudoun County Public Schools
June 30, 2018

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. Under GASB pronouncements, component units are legally separate entities for which the primary government is financially accountable. Accordingly, Middleburg Community Charter School (MCCS) and Hillsboro Charter Academy (HCA) meet those criteria as component units of LCPS. MCCS and HCA are financially dependent upon LCPS for operating funding as LCPS provides each Charter School with financial resources equal to each school's pupil enrollment times the LCPS' cost per pupil. MCCS and HCA also meet the requirement of a discretely presented component unit and are included as such for fiscal year ended June 30, 2018.

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

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

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

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

Hillsboro Charter Academy
37110 Charles Town Pike
Purcellville, VA 20132

LCPS' Primary Government includes all of its departments, boards, and associated agencies that are not legally separate.

LCPS is a component unit of the County because it approves the budget for, issues debt on behalf of, and is the primary funding source for LCPS.

B. BASIS OF FINANCIAL STATEMENT PRESENTATION AND FUND ACCOUNTING

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

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

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements, the Statement of Net Position and the Statement of Activities, present financial information, about LCPS as a whole. These statements include the financial activities of LCPS' Primary Government and its component units, MCCS and HCA, except for the fiduciary activities because LCPS cannot use those assets to finance its operations. The activities of the internal service funds are eliminated to avoid duplicate reporting of revenues and expenses. In accordance with GAAP reporting requirements, activities are reported in these statements as either governmental or business-type. Primary activities of LCPS and its component unit are categorized solely as governmental. The Statement of Net Position presents the overall financial condition of LCPS and its component unit at year end. The net position balance is an indication of LCPS' ability to cover its costs and continue to provide services in the future. The Statement of Activities reports the expenses and revenues of LCPS and its component units in a format that focuses on the cost of each of LCPS' major programs/functions and those of its component units.

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

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

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

2. FUND FINANCIAL STATEMENTS

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

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

LCPS has two fiduciary funds: Other Postemployment Benefits (OPEB) Trust Fund and Agency Fund-School Activity in the fiduciary fund statements.

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

LCPS reports the following major governmental fund types:

- General Fund—The General Fund is LCPS' primary operating fund, which accounts for all financial resources, except those required to be accounted for in another fund.
- Capital Improvements Fund—The Capital Improvements Fund tracks LCPS' financial transactions used for the acquisition, construction or renovation of school sites, buildings, and other major capital improvements.

LCPS reports the following nonmajor governmental fund types:

- Special Revenue Funds—Special revenue funds are used to account for proceeds of specific revenue sources, other than major Capital Improvements, in which expenditures are restricted for a specified purpose. The Lease Fund accounts for lease proceeds used to purchase specific vehicles, technology and other machinery and equipment. The School Nutrition Services Fund accounts for sales proceeds from the school cafeterias. The Grant Fund accounts for federal, state, and private grant proceeds used for educational purposes.

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

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

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

LCPS reports the following additional fund types:

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

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

  The Self-Insurance Fund accounts for the transactions associated with the comprehensive health benefits self-insurance program, the 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.

- Agency Funds—The Payroll Liabilities Distribution Fund is a fiduciary fund, which accounts for monies collected and disbursed in connection with employee payroll liabilities. For fiscal year 2018, this fund is no longer used as the payroll liabilities are being collected and disbursed through the General Fund. All liabilities as of June 30, 2017 were paid during fiscal year 2018. The Student Activity Fund is a fiduciary fund, which accounts for monies collected and disbursed at schools in connection with student athletics, classes, club accounts, various fund-raising activities, and private donations. These monies are only available to support student programs at their respective schools and not for LCPS as a whole.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are shown in the Statement of Net Position; therefore, the non-current assets (i.e., land, buildings, improvements, and other capital assets) as well as the long-term liabilities (i.e., compensated absences, capital lease liabilities, OPEB 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. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund, net position, is segregated into unrestricted and invested in capital assets. Proprietary funds' operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The operating revenues are charges for services provided to other departments on a cost reimbursement basis; the costs to provide these services are reported as operating expenses. For services which extend over more than one fiscal period, such as insurance, the change in actuarially determined insurance liability from one year to the next is reported as an operating expense. Non-operating revenues in the proprietary funds are generated from the sale of capital assets. The Statement of Cash Flows presents the cash inflows and outflows of the proprietary activities.

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

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

1. UNEARNED REVENUE

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

2. DEFERRED OUTFLOWS OF RESOURCES

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. LCPS reports deferred outflows of resources for amounts related to pensions and amounts related to other postemployment benefits (OPEB) in the government-wide Statement of Net Position. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, pension/OPEB trust investment returns that exceed projected earnings, 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, except contributions subsequent to the measurement date, 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.

3. DEFERRED INFLOWS OF RESOURCES

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide statement of net position.

Actuarial losses resulting from a difference in expected and actual experience, investment results, changes in actuarial assumptions and changes in proportionate share are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

E. CASH AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

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

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

Cash and cash equivalents in the charter schools represent available cash held for operations.

2. RESTRICTED CASH AND INVESTMENTS AT FAIR VALUE

Investments are presented at Net Asset Value in the Statement of Fiduciary Net Position and represents cash and investments held by the Virginia Pooled OPEB Trust Fund sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACo).

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

F. INVENTORIES, PREPAID ITEMS AND DEPOSITS

Inventories are valued at cost, using the average cost method. The consumption method of accounting for inventory is used in the government-wide statements as well as in the 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 reflects costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method of accounting for prepaid items is used in the government-wide statements as well as in the proprietary fund statements. Prepaid items in the governmental funds are recorded as nonspendable fund balance.

Deposits represent funds paid out to demonstrate intent to complete future transactions. LCPS deposited $340,000 to its workers' compensation third party administrator and $2,379,000 to its health insurance third party administrator for future claim transactions.

G. CAPITAL ASSETS

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

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

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

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

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

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

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

The charter schools reported no capital assets for fiscal year ended June 30, 2018.

H. COMPENSATED ABSENCES AND ACCRUED SALARIES AND BENEFITS

LCPS employees, other than teachers, earn vacation pay based on a prescribed formula depending on years of service. Eligible employees are allowed to accumulate a maximum of 480 hours of vacation leave as of the end of each fiscal year. Any excess vacation hours are converted to sick leave. Employees who terminate their employment will have their annual leave prorated based on total amount earned for the school year. Payment for earned annual leave will be calculated based upon the employee's regular rate of pay at the time of separation. Teachers do not accumulate annual leave. As of June 30, 2018, $15,760,988 of accumulated vacation leave was accrued as compensated absences.

Any LCPS retiree, with ten (10) or more years of service will receive 25% of their final daily wage for each day of unused sick leave, the total amount not to exceed an index of 25% of the previous year's average teacher salary for LCPS as reported in the State of Virginia's Annual School Report. There is an allowed maximum amount of $17,255 per individual for FY18. As of June 30, 2018, $13,671,020 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, 2018, $6,022,369 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, 2018.

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

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements as well as in the proprietary fund financial statements. These liabilities are segregated between current and long-term; however, in the government-wide financial statements, the long-term liabilities are further divided between those due within one year and those due beyond one year.

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

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

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

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

J. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. In the government-wide and proprietary fund financial statements, LCPS' net position and that of its component units, falls into three categories: net investment in capital assets, restricted, and unrestricted.

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

The restricted net position represents the portion of net position that is legally restricted to be used for the nonexpendable portion ($25,870) of the permanent fund and the portion legally restricted by lease agreements.

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

K. FUND BALANCE

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

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

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

1. NONSPENDABLE FUND BALANCE

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

2. RESTRICTED FUND BALANCE

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

3. COMMITTED FUND BALANCE

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

4. ASSIGNED FUND BALANCE

The assigned fund balance classification reflects amounts that the School Board *intends* to be used for specific purposes. Assignments may be established either by the School Board or by the Superintendent, and are subject to neither the restricted nor the committed levels of constraint. The assignment of fund balance is authorized by Board resolution for subsequent year appropriations and by Board policy for assignment of contractual obligations.

5. UNASSIGNED FUND BALANCE

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

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

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

6. FLOW ASSUMPTION

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

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

L. ENCUMBRANCES

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

Encumbrances represent the estimated amount of expenditures to result if the open purchase orders and unfinished contracts were completed.

The appropriations of any funds encumbered at the end of the fiscal year carries over into the next fiscal year.

Following are the encumbrances as of June 30, 2018:

General Fund	$	20,588,162
Capital Improvements Fund		142,109,978
Nonmajor Funds (aggregate)		7,804,587
Total Governmental Funds	$	170,502,727

M. PENSION PLANS

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

N. OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of LCPS' OPEB plans and the additions to/deletions from LCPS' OPEB plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) for Group Life Insurance (GLI), Health Insurance Credit (HIC), and Virginia Local Disability Program (VLDP), as well as by the actuarial valuation provided for LPCS' OPEB Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. USE OF ESTIMATES

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

P. TAX STATUS

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

Q. NEW PRONOUNCEMENTS

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Management has implemented this Statement.

The GASB issued Statement 83, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement 85, *Omnibus 2017* in March 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has implemented this Statement.

The GASB issued Statement 86, *Certain Debt Extinguishment Issues* in May 2017. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has established procedures to identify any future arrangements that would be applicable to this Statement.

The GASB issued Statement 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is in the process of completing their assessment of the impact of these requirements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following reconciliations accompany the governmental fund statements:

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

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

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

III. DETAILED NOTES TO ALL FUNDS

A. BANK DEPOSITS AND INVESTMENTS

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

1. CASH AND CASH EQUIVALENTS

The General Fund holds $200 petty cash on June 30, 2018 for small purchases on an emergency basis. The School Nutrition Services Fund held no petty cash in its change fund on June 30, 2018. Cash and temporary investments related to MCCS are all highly liquid cash and cash equivalents. MCCS had $91,372 cash and cash equivalents on June 30, 2018. Cash and temporary investments related to HCA are all highly liquid cash and cash equivalents. HCA had $220,712 cash and cash equivalents on June 30, 2018.

Cash and temporary investments related to the School Activity Funds are all highly liquid cash and cash equivalents. School Activity Funds reported $7,981,132 cash and cash equivalents on June 30, 2018.

2. RESTRICTED CASH ON DEPOSIT WITH OTHERS

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

The Lease Fund reported $3,485,817 on June 30, 2018 as restricted cash on deposit with others, which represents unspent lease proceeds from its 2018 borrowings.

3. INVESTMENTS AT FAIR VALUE

LCPS' OPEB trust fund participates in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust.

The Board of Trustees of the Virginia Pooled OPEB Trust establishes investment objectives; risk tolerance, and asset allocation policies in light of market and economic conditions. As of June 30, 2018, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Virginia Pooled OPEB Trust (Trust) will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the OPEB Fund is uninsured and uncollateralized.

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

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

At June 30, 2018 LCPS' share in this pool was $160,426,016 as reported on Exhibit X.

B. DUE FROM INTERGOVERNMENTAL UNITS

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

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

Amounts due from other governments at June 30, 2018 are as follows:

Fund	Federal Government	Commonwealth of Virginia	Total
General Fund	$ -	$ 15,255,444	$ 15,255,444
Nonmajor Governmental Funds	1,402,278	1,091,887	2,494,165
Total	$ 1,402,278	$ 16,347,331	$ 17,749,609

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, 2018 are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 158,676,198
Capital Improvements Fund	71,435,228	-
Lease Fund	-	1,098,925
School Nutrition Services Fund	14,389,227	-
Grant Fund	-	2,462,539
Capital Asset Preservation Fund	7,350,325	-
Debt Service Fund	2,396,901	-
Peabody Trust Fund	25,870	-
Proprietary-Central Service Fund	-	661,507
Proprietary-Self Insurance Fund	67,301,618	-
Total	$ 162,899,169	$ 162,899,169

D. INTERFUND TRANSFERS

The Grant Fund manages local private grants in addition to the traditional federal and state grants. At year end, several of those private grants had amounts that were transferred to the General Fund due to lack of activity over several years. The grants were non-refundable and were used for the specified purposes by the General Fund.

The breakdown of interfund transfers for the fiscal year ended June 30, 2018 was as follows:

Fund	Transfers In	Transfers Out
General Fund	$ 44,677	$ -
Nonmajor Governmental Funds	-	44,677
Total	$ 44,677	$ 44,677

E. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2018 was as follows:

Governmental Activities	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Non-depreciable capital assets:				
Land	$ 149,858,631	$ 6,675,409	$ -	$ 156,534,040
Construction in progress	147,737,901	174,539,743	(61,128,476)	261,149,168
Total non-depreciable capital assets	297,596,532	181,215,152	(61,128,476)	417,683,208
Depreciable capital assets				
Building	1,813,702,881	55,096,507	-	1,868,799,388
Machinery and equipment	133,466,180	12,609,041	(6,923,789)	139,151,432
Improvements other than buildings	5,534,703	143,286	-	5,677,989
Infrastructure	1,121	-	-	1,121
Total depreciable capital assets	1,952,704,885	67,848,834	(6,923,789)	2,013,629,930
Accumulated depreciation:				
Buildings	(439,875,453)	(41,691,974)	-	(481,567,427)
Machinery and equipment	(109,861,285)	(7,441,981)	6,879,336	(110,423,930)
Improvements other than buildings	(1,367,237)	(477,982)	-	(1,845,219)
Infrastructure	(420)	(57)	-	(477)
Total accumulated depreciation	(551,104,395)	(49,611,994)	6,879,336	(593,837,053)
Depreciable capital assets, net	1,401,600,490	18,236,840	(44,453)	1,419,792,877
Total capital assets, net	$ 1,699,197,022	$ 199,451,992	$ (61,172,929)	$ 1,837,476,085

Governmental activities capital assets, net of accumulated depreciation, at June 30, 2018 are comprised of the following:

General capital assets, net	$ 1,833,959,740
Internal Service Fund capital assets, net	3,516,345
Total capital assets, net	$ 1,837,476,085

Depreciation was charged to governmental programs/functions as shown:

Governmental Activities		Depreciation Expense
Instruction:		
Regular	$	41,291,588
Special Education		29,987
Support services:		
Administration		581,392
Attendance and health		13,981
Pupil transportation		4,549,772
Facilities		1,249,914
Operation and maintenance		518,835
School nutrition services		10,950
Technology		1,158,282
In addition, depreciation expense on capital assets held by the internal service funds is charged to pupil transportation.		207,293
Total	$	49,611,994

F. DEFERRED OUTFLOWS OF RESOURCES

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of the resources (expenditures) until the future period. At June 30, 2018, LCPS had deferred outflows of resources relating to other postemployment benefits and pensions in the amounts of $28,508,136 and $171,886,000 respectively.

G. DEFERRED INFLOWS OF RESOURCES

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2018, LCPS had deferred inflows of resources relating to other postemployment benefits and pensions in the amounts of $9,726,502 and $99,145,000 respectively.

In addition, at June 30, 2018 LCPS' General Fund reported deferred inflows of resources in the amount of $5,044,729 related to deferred sales tax revenue from the Commonwealth of Virginia, which is not available to pay liabilities of the current period. However, the sales tax does meet the criteria for the recognition of revenue under the accrual basis and is reported as such on the Statement of Activities.

H. LONG-TERM LIABILITIES

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

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

The following is a summary of changes in the long-term liabilities of LCPS for the year ended June 30, 2018:

Governmental Activities	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	$ 26,758,954	12,156,372	$ 3,460,949	$ 35,454,377	$ 3,832,583
Claims liabilities	17,280,892	153,356,217	152,379,418	18,257,691	17,280,892
Leases payable	25,145,907	10,000,000	9,992,314	25,153,593	9,990,672
Net OPEB liability*	266,998,994	40,223,818	43,736,244	263,486,568	-
Net pension liability	940,610,000	202,154,425	294,719,425	848,045,000	-
Total	$ 1,276,794,747	$ 417,890,832	$ 504,288,350	$ 1,190,397,229	$ 31,104,147

*OPEB beginning balance restated to reflect GASB 75

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

Governmental Activities	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Virginia Local Disability Program*	$ 153,000	$ 283,000	$ 218,000	$ 218,000
Group Life Insurance*	54,507,000	2,653,000	8,504,000	48,656,000
Health Insurance Credit*	84,558,000	10,386,000	7,289,980	87,654,020
OPEB Trust*	127,780,994	26,901,818	27,724,264	126,958,548
Total	$ 266,998,994	$ 40,223,818	$ 43,736,244	$ 263,486,568

*OPEB beginning balance restated to reflect GASB 75

1. CAPITAL LEASES

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

The capital leases for this equipment include the following future minimum annual lease payments as of June 30, 2018:

Year Ending June 30,	Principal	Interest
2019	$ 9,990,672	$ 335,880
2020	7,544,614	206,364
2021	5,061,828	106,109
2022	2,556,479	38,603
Total lease payable	$ 25,153,593	$ 686,956

The following schedule lists the capital leases at June 30, 2018 by individual items:

Date Issued	Final Maturity	Interest Rate	Issue Amount	Balance at June 30, 2018	Type of Project Financed (the assets acquired secured the related capital lease)
7/18/2014	7/18/2018	1.202%	10,000,000	2,544,983	$1.9M for vehicles; $8.1M for computers and equipment
7/24/2015	7/24/2019	1.32%	10,000,000	5,065,564	$2.1M for vehicles; $7.9M for computers and equipment
8/5/2016	8/5/2020	1.16%	10,000,000	7,543,045	$3.1M for vehicles; $6.9M for computers and equipment
8/2/2017	8/2/2021	1.51%	10,000,000	10,000,000	$2.9M for vehicles; $7.1M for computers and equipment
		Total	$ 40,000,000	$ 25,153,593	

2. DEBT SERVICE RESPONSIBILITY

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

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

3. CONSTRUCTION COMMITMENTS

At June 30, 2018, LCPS had contractual commitments in the amount of $142,109,978 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 2018.

B. RISK MANAGEMENT

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

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

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

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

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

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.

In 1990, LCPS received a Certificate as a Qualified Self-Insurer from the Virginia Workers' Compensation Commission. At that time, LCPS began to self-insure statutory workers' compensation and employer's liability coverage. At the same time, LCPS purchased excess workers' compensation and employer's liability insurance. This excess insurance limits individual claims against the self-insurance program with a current specific retention level of $600,000 per occurrence. Workers' Compensation claims that arose from incidents occurring prior to the self-insured program are covered under LCPS' previous commercial insurance carrier. A reserve for pending claims and incurred but not reported claims has been accrued as a liability within the self-insurance funds as an estimate based on information received from AON Risk Solutions.

LCPS contracts with a third-party administrator to adjust workers' compensation claims, provide underwriting services, and recommend reserve levels, including claims reported but not settled. All other property and casualty insurance either has been, or is expected to be renewed as it becomes due.

The following table shows the amounts that have been accrued for workers' compensation as a liability within the self-insurance fund. LCPS' administrator is PMA Companies.

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

Fiscal Year 2018		
Unpaid claims beginning of fiscal year	$	5,763,578
Incurred claims (including IBNR)		3,722,743
Claim payments		(3,011,290)
Unpaid claims end of fiscal year	$	6,475,031

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 $550,000 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 2017		
Unpaid claims beginning of fiscal year	$	9,059,387
Incurred claims (including IBNR)		150,427,215
Claim payments		(147,969,288)
Unpaid claims end of fiscal year	$	11,517,314

Fiscal Year 2018		
Unpaid claims beginning of fiscal year	$	11,517,314
Incurred claims (including IBNR)		149,633,474
Claim payments		(149,368,128)
Unpaid claims end of fiscal year	$	11,782,660

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

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

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

C. OTHER POSTEMPLOYMENT BENEFITS LCPS OPEB TRUST

1. BACKGROUND

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

For fiscal year 2018 we have implemented GASB Statement 75 requirements. These requirements addressed how local governments should account for and report their costs related to postemployment health care and other non-pension benefits. The objective of this statement is to improve the usefulness of information for decision made by the various users of the general purpose external financial reports of governments whose employees, both active and inactive, are provided with postemployment benefits other than pensions, or OPEB. One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government's inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's OPEB liabilities and the resources, if any, available to satisfy those liabilities. An additional objective of this Statement is to improve the information provided in government financial reports about OPEB-related financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities.

LCPS' subsidy is funded on a pay-as-you-go basis plus an amount determined by management to pre-fund future costs. GAAP requires LCPS to disclose the unfunded actuarial full liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on LCPS. This methodology mirrors the funding approach used for pension benefits.

2. PLAN DESCRIPTION

The LCPS' OPEB Trust Fund is a single-employer defined benefit healthcare plan (Plan). The Plan 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 July 1, 2017, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and beneficiaries entitled to benefits	1,375
Active plan members	7,704
Total	9,079

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 Inflow of Resources
Difference between expected and actual experience	$ 12,138,304	$ -
Net difference between projected and actual earnings on LCPS OPEB Trust plan investments	2,132,832	-
Changes in Assumptions	-	3,103,092
Total	$ 14,271,136	$ 3,103,092

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

Year Ended June 30,	
2019	$ 1,602,464
2020	1,602,464
2021	1,602,464
2022	1,602,464
2023	1,069,256
Thereafter	3,688,932
Total	$ 11,168,044

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 Loudoun County Public Schools towards OPEB benefits over the most recent five-year period were approximately $25,260,000 per year. During fiscal year 2018, LCPS contributed $27,724,264 to the OPEB Trust Fund, which included $15,724,264 for current costs and an additional $12,000,000 to prefund benefits.

LCPS participates in the Virginia Pooled OPEB Trust Fund (Trust Fund) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACo) in 2017. The Virginia Pooled OPEB Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB.

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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.18%. 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 investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Money Weighted Real Rate of Return
Domestic Equity	21.00%	6.21%	1.30%
International Developed Equity	8.00%	7.21%	0.58%
Emerging Market Equity	3.00%	9.61%	0.29%
Fixed Income Core	18.00%	1.56%	0.28%
Fixed Income Core Plus	40.00%	2.07%	0.83%
Real Estate	3.00%	4.91%	0.15%
Commodities	2.00%	4.71%	0.09%
Diversified Hedge Funds	5.00%	3.91%	0.20%
Total	100.00%		3.72%
Inflation			2.50%
Investment Rate of Return (Gross)			6.22%
Investment Expenses			-0.07%
Investment Rate of Return (Net)			6.15%
Long-Term Rate of Return Used in Valuation			6.00%

The discount rate used to measure the total OPEB liability is 6.00%. The projection of cash flows used to determine the discount rate assumed contributions from LCPS will continue to be made commensurate with their average contributions over the most recent five-year period (approximately $25,260,000 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, 2018 is $126,958,548, a decrease of $822,446, from the prior valuation NOL of $127,780,994 as of June 30, 2017. The NOL had been expected to decrease to $116,290,059 due to normal plan operations. The difference between the actual and expected Net OPEB Liability was the net effect of several factors:

- An actuarial experience loss increased the NOL by $16,240,830. This was primarily the result of losses due to fund investment performance and demographic changes. We have taken these actuarial gains and losses into account in reviewing our assumptions for the current valuation.
- Valuation assumption changes decreased the NOL by $3,470,322. This was the net result of decreases in liabilities due to updating the valuation-year per capita health costs and future trend on such costs, modifying the assumed mortality, disability, withdrawal, and salary increase rates, modifying the assumed retirement rates to start at pension eligibility rather than retiree health eligibility, decreasing the percentage of future retirees assumed to also have a covered spouse from 45% to 35%, and lowering the assumed age difference between future retirees and their spouse from three to two years, mostly offset by increases in liabilities due to updating the retiree contribution rates to their current levels, modifying the assumed retirement rates, increasing the percentage of future retirees assumed to elect coverage from 51% to 60%, and decreasing the long-term rate of return assumptions from 7.00% to 6.00%.
- Plan changes decreased the NOL by $2,102,019. Effective January 1, 2017, the OAP and POS medical plan of benefits were modified.
- As of June 30, 2018, the ratio of assets to the Total OPEB Liability (the funded ratio) is 55.82%. This is based on the market value of assets at this point in time.
- The Annual OPEB Expense is $15,733,774 for the year ending June 30, 2018.

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, 2017	$ 268,596,000	$ 140,815,006	$ 127,780,994
Changes for the year:			
Service cost	7,710,000	-	7,710,000
Interest	18,800,379	-	18,800,379
Changes of benefit terms	(2,102,019)		(2,102,019)
Difference between expected and actual experience	13,574,790	-	13,574,790
Changes of assumptions	(3,470,322)		(3,470,322)
Contributions-employer	-	27,724,264	(27,724,264)
Net investment income	-	7,611,010	(7,611,010)
Benefit payments, including refunds of employee contributions	(15,724,264)	(15,724,264)	-
Net changes	18,788,564	19,611,010	(822,446)
Balances at June 30, 2018	$ 287,384,564	$ 160,426,016	$ 126,958,548

Discount Rate	6.00%
Plan fiduciary net position as a percentage of the total OPEB liability	55.82%

The Net OPEB Liability was measured as of June 30, 2018 and 2017. 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 July 1, 2017 and 2015, respectively.

Actuarial assumptions. The Total OPEB Liability was measured using the entry age normal actuarial cost method by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies by service
Discount rate	6.00%
Healthcare cost trend rates:	
Medical & Prescription Drug	7.50% graded to 4.50% over 12 years
Dental	4.00%
Vision	3.00%
Mortality rates:	
Healthy	Approximate 2006 table based on Headcount-Weighted RP-2014 Combined Healthy Annuitant, projected generationally with Scale MP-2017 from 2006
Disabled	Approximate 2006 table based on Headcount-Weighted RP-2014 Disabled Retiree, projected generationally with Scale MP-2017 from 2006

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability	$ 162,457,049	$ 126,958,548	$ 96,927,560

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 124,031,060	$ 126,958,548	$ 128,030,040

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

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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, consistent with the long-term perspective of the calculations.

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, 2017, dated December 20, 2017. 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. The remaining demographic assumptions, such as mortality, enrollment elections, percent married and relative ages of spouses, were based on the experience of the Plan and the experience of similar multiemployer plans.

7. PLANS REPORTING

The OPEB Trust is sponsored by Virginia Municipal League and the Virginia Association of Counties (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:

			Allocation of OPEB			
		LCPS-OPEB Trust Totals		Internal Service Funds		Governmental Activities
Net OPEB liability	$	126,958,548	$	216,623	$	126,741,925
OPEB Expense		15,733,774		96,389		15,637,385
Deferred outflows of resources:						
Net difference between projected and actual earnings on OPEB plan investments		2,132,832		13,066		2,119,766
Difference between expected and actual experience		12,138,304		74,362		12,063,942
Total deferred outflows of resources		14,271,136		87,428		14,183,708
Deferred inflows of resources:						
Changes of assumptions		3,103,092		19,010		3,084,082
Total deferred inflows of resources	$	3,103,092	$	19,010	$	3,084,082

D. OTHER POSTEMPLOYMENT BENEFITS GROUP LIFE INSURANCE

1. BACKGROUND

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI 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 GLI 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 GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. PLAN DESCRIPTION

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

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

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

GLI PROGRAM PLAN PROVISIONS
Eligible Employees The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLI Program have several components. • <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: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in benefit Amounts The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

3. CONTRIBUTIONS

The contribution requirements for the GLI 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 GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 $3,322,586 and $3,101,221 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entities reported a liability of $48,656,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date.

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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, LCPS' proportion was 3.23327% as compared to 3.11551% at June 30, 2016.

For the year ended June 30, 2018, LCPS recognized GLI OPEB expense of $864,000. 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, 2018, 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 Inflow of Resources
Difference between expected and actual experience	$ -	$ 1,078,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,831,000
Changes in Assumptions	-	2,506,000
Changes in Proportion	1,789,000	48,000
Employer contributions subsequent to the measurement date	2,910,000	-
Total	$ 4,699,000	$ 5,463,000

$2,910,000 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, 2019.

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,		
2019	$	(796,000)
2020		(796,000)
2021		(796,000)
2022		(796,000)
2023		(338,000)
Thereafter		(152,000)
Total	$	(3,674,000)

5. ACTUARIAL ASSUMPTIONS

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of investment expenses, including inflation*

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

Mortality rates – General State Employees

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – Teachers

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers - General Employees

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

6. NET GLI OPEB LIABILITY

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

As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB
Total GLI OPEB Liability	$ (48,656,000)
Plan Fiduciary Net Position	51,466,000
Employers' Net GLI OPEB Liabliity (Asset)	$ 2,810,000
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	94.54%

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

8. DISCOUNT RATE

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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. From July 1, 2019 on, employers are assumed 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 THE EMPLOYER'S 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net OPEB liability	$ 62,931,000	$ 48,656,000	$ 37,083,000

10. GLI PROGRAM FIDUCIARY NET POSITION

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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

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)			Allocation of OPEB	
	Teachers	Political Subdivision	Combined Totals	Internal Service Funds	Governmental Activities
Net OPEB liability	$ 44,272,000	$ 4,384,000	$ 48,656,000	$ 316,525	$ 48,339,475
OPEB Expense	824,000	40,000	864,000	2,888	861,112
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,789,000	-	1,789,000	-	1,789,000
Employer contributions subsequent to the measurement date	2,628,000	282,000	2,910,000	20,360	2,889,640
Total deferred outflows of resources	4,417,000	282,000	4,699,000	20,360	4,678,640
Deferred inflows of resources:					
Difference between expected and actual experience	981,000	97,000	1,078,000	7,003	1,070,997
Net difference between projected and actual earnings on OPEB plan investments	1,666,000	165,000	1,831,000	11,913	1,819,087
Changes of assumptions	2,280,000	226,000	2,506,000	16,317	2,489,683
Changes in proportion	-	48,000	48,000	3,466	44,534
Total deferred inflows of resources	$ 4,927,000	$ 536,000	$ 5,463,000	$ 38,699	$ 5,424,301

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

1. BACKGROUND

The VRS Teacher Employee Health Insurance Credit (HIC) Program 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 HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the 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 Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees 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. Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – 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.
- Disability Retirement – 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:
    - $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.

HIC Program Notes:

- 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 year 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, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 HIC Program were $7,145,959 and $6,017,603 for the years ended June 30, 2018 and June 30, 2017, respectively.

4. TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) OPEB LIABLITIES, EXPENSE AND DEFERRED OUTLOWS AND DEFERRED INFLOWS

At June 30, 2018, LCPS reported a liability of $87,145,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, LCPS' proportion of the VRS Teacher Employee HIC Program was 6.86931% as compared to 6.61657% at June 30, 2016.

For the year ended June 30, 2018, LCPS recognized VRS Teacher Employee HIC Program OPEB expense of $7,510,000.

Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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 Inflow of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	$ -	$ 157,000
Changes in Assumptions	-	896,000
Changes in Proportion	2,785,000	-
Employer contributions subsequent to the measurement date	6,216,000	-
Total	$ 9,001,000	$ 1,053,000

$6,216,000 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, 2019.

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,	
2019	$ 246,000
2020	246,000
2021	246,000
2022	247,000
2023	286,000
Thereafter	461,000
Total	$ 1,732,000

5. ACTUARIAL ASSUMPTIONS

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation – Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	7.0 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 GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

6. NET TEACHER EMPLOYEE HIC OPEB LIABILITY

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$ 1,364,702
Plan Fiduciary Net Position	96,091
Teacher Employee net HIC OPEB Liability	$ 1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%

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	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

8. DISCOUNT RATE

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. 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, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed 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 THE SCHOOL DIVISION'S PROPORTIONATE SHARE OF THE TEACHER EMPLOYEE HIC NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net OPEB liability	$ 97,263,000	$ 87,145,000	$ 78,545,000

10. TEACHER EMPLOYEE HIC OPEB FIDUCIARY NET POSITION

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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) HEALTH INSURANCE CREDIT PROGRAM – POLITICAL SUBDIVISION

1. BACKGROUND

The 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 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. Eligible employees of participating are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree HIC Program provides the following benefits for eligible employees: • <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: • 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 o service credit to qualify for the health insurance credit as a retiree.

3. EMPLOYEES COVERED BY BENEFIT TERMS

As of the June 30, 2016 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	589
Inactive members:	
Vested inactive members	154
Non-vested inactive members	571
Inactive members active elsewhere in VRS	252
Total inactive members	977
Active members	1,829
Total covered employees	3,395

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. The political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was .20 % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Political Subdivision HIC Program were $115,730 and $107,368 for the years ended June 30, 2018 and June 30, 2017, respectively.

5. NET HIC OPEB LIABILITY

The political subdivision's net HIC OPEB liability was measured as of June 30, 2017. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

6. ACTUARIAL ASSUMPTIONS

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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	7.0 Percent, net of investment expenses, including inflation*

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

Mortality Rates – Largest ten locality employers – General Employees

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates – Non-Largest ten locality employers-General Employees

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

8. DISCOUNT RATE

The discount rate used to measure the total HIC OPEB liability was 7.00%. 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, 2019, 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. From July 1, 2019 on, employers are assumed 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 return 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 OPEB Liability (a)	Plan Fiduciary Net Position (B)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	$ 2,022,011	$ 1,385,442	$ 636,569
Changes for the year:			
Service cost	68,731	-	68,731
Interest	139,537	-	139,537
Changes of assumptions	(60,019)		(60,019)
Contributions-employer	(57,252)	107,353	(164,605)
Net investment income		163,092	(163,092)
Benefit payments, including refunds of employee contributions		(57,252)	57,252
Administrative expenses		(2,698)	2,698
Other changes		8,051	(8,051)
Net changes	90,997	218,546	(127,549)
Balances at June 30, 2017	$ 2,113,008	$ 1,603,988	$ 509,020

10. SENSITIVITY OF THE POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT

The following presents the Political Subdivision HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net OPEB liability	$ 753,695	$ 509,020	$ 302,142

11. HEALTH INSURANCE CREDIT PROGRAM POLITCAL SUBDIVISION OPEB EXPENSE AND DEFERRED OUTFLOW AND DEFERRED INFLOWS

For the year ended June 30, 2018, the political subdivision recognized HIC Program OPEB expense $82,214. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on Political Subdivision HCI OPEB plan investments	$ -	$ 51,336
Changes in Assumptions	-	51,074
Employer contributions subsequent to the measurement date	109,000	-
Total	$ 109,000	$ 102,410

$109,000 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, 2019.

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,		
2019	$	(21,779)
2020		(21,779)
2021		(21,779)
2022		(21,779)
2023		(8,945)
Thereafter		(6,349)
Total	$	(102,410)

12. HEALTH INSURANCE CREDIT PROGRAM PLAN DATA

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

13. PLANS REPORTING

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

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

	VRS-Health Insurance Credit (HIC)			Allocation of OPEB	
	Teachers	**Political Subdivision**	**Combined Totals**	Internal Service Funds	Governmental Activities
Net OPEB liability	$ 87,145,000	$ 509,020	$ 87,654,020	$ 36,766	$ 87,617,254
OPEB Expense	7,510,000	82,214	7,592,214	5,939	7,586,275
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,785,000	-	2,785,000	-	2,785,000
Employer contributions subsequent to the measurement date	6,216,000	109,000	6,325,000	7,873	6,317,127
Total deferred outflows of resources	9,001,000	109,000	9,110,000	7,873	9,102,127
Deferred inflows of resources:					
Net difference between projected and actual earnings on OPEB plan investments	157,000	51,336	208,336	3,708	204,628
Changes of assumptions	896,000	51,074	947,074	3,689	943,385
Total deferred inflows of resources	$ 1,053,000	$ 102,410	$ 1,155,410	$ 7,397	$ 1,148,013

G. OTHER POSTEMPLOYMENT BENEFITS (OPEB) TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM

1. BACKGROUND

The VRS Teacher Employee Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan.

For purposes of measuring the net Teacher Employee VLDP OPEB liability, 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 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 employees either through a local plan or through the VLDP.

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

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
Eligible Employees 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 Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees: <u>Short-Term Disability</u> – • 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 of work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels <u>Long-Term Disability</u> – • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
VLDP Notes: • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.

- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

3. CONTRIBUTIONS

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 0.31% of covered employee compensation for employees in the VRS Teacher Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 VLDP were $380,872 and $278,575 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, LCPS reported a liability of $191,000 for its proportionate share of the VRS Teacher Employee VLDP Net OPEB Liability. The Net VRS Teacher Employee VLDP OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee VLDP OPEB liability used to calculate the Net VRS Teacher Employee VLDP OPEB Liability was determined by an actuarial valuation as of that date.

LCPS' proportion of the Net VRS Teacher Employee VLDP OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, LCPS' proportion of the VRS Teacher Employee VLDP was 31.84369% as compared to 30.93594% at June 30, 2016.

For the year ended June 30, 2018, LCPS recognized VRS Teacher Employee VLDP OPEB expense of $ 213,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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 Inflow of Resources
Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments	$ 5,000	$ -
Changes in Assumptions	14,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	9,000	-
Employer contributions subsequent to the measurement date	327,000	-
Total	$ 355,000	$ -

$327,000 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's 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, 2019.

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,		
2019	$	(16,000)
2020		4,000
2021		4,000
2022		4,000
2023		(3,000)
Thereafter		35,000
Total	$	28,000

5. ACTUARIAL ASSUMPTIONS

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee VLDP was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation – Teacher Employees	3.5 percent – 5.95 percent
Investment rate of return	7.0 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 GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

6. NET TEACHER EMPLOYEE VLDP OPEB LIABILITY

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

As of June 30, 2017, 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	$ 873
Plan Fiduciary Net Position	279
Teacher Employee net VLDP OPEB Liability	$ 594
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	0.21%

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

7. LONG TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on VRS System investments was determined using a 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

8. DISCOUNT RATE

The discount rate used to measure the total Teacher Employee VLDP OPEB was 7.00%. 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, 2019, the rate contributed by the school division for the VRS Teacher Employee VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee VLDP OPEB liability.

9. SENSITIVITY OF THE SCHOOL DIVISION'S PROPORTIONATE SHARE OF THE TEACHER EMPLOYEE VLDP NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net OPEB liability	$ 214,000	$ 191,000	$ 154,000

10. TEACHER EMPLOYEE VLDP OPEB FIDUCIARY NET POSITION

Detailed information about the VRS Teacher Employee VLDP's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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 VIRGINIA LOCAL DISABILITY PROGRAM

1. BACKGROUND

The VRS Political Subdivision Employee VLDP is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB, and the Political Subdivision Employee VLDP OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP; and the additions to/deductions from the VRS Political Subdivision 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 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 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. 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 employees either through a local plan or through the VLDP.

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

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
Eligible Employees The Political Subdivision Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
Benefit Amounts The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees: Short-Term Disability – • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels Long-Term Disability – • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
VLDP Notes: • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

3. CONTRIBUTIONS

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% 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, 2015. 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 $78,766 and $51,607 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the political subdivision reported a liability of $27,000 for its proportionate share of the VRS Political Subdivision Employee VLDP Net OPEB Liability.
The Net VRS Political Subdivision Employee VLDP OPEB Liability was measured as of June 30, 2017 and the total VRS Political Subdivision Employee VLDP OPEB liability used to calculate the Net VRS Political Subdivision Employee VLDP OPEB Liability was determined by an actuarial valuation as of that date.

LCPS' proportion of the Net VRS Political Subdivision Employee VLDP OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the political subdivision's proportion of the VRS Political Subdivision Employee VLDP was 4.68396% as compared to 4.78515%.

For the year ended June 30, 2018, the political subdivision recognized VRS Political Subdivision Employee VLDP OPEB expense of $ 47,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Political Subdivision Employee VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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 Inflow of Resources
Changes in Assumptions	$ -	$ 5,000
Employer contributions subsequent to the measurement date	73,000	-
Total	$ 73,000	$ 5,000

$73,000 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, 2019.

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

Year Ended June 30,	
2019	$ (5,000)
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	$ (5,000)

5. ACTUARIAL ASSUMPTIONS

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee VLDP was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation – Political Subdivision Employees	3.5 percent – 5.95 percent
Investment rate of return	7.0 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 GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

6. NET POLITICAL SUBDIVISION EMPLOYEE VLDP OPEB

The net OPEB liability (NOL) for the Political Subdivision Employee VLDP represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 914
Plan Fiduciary Net Position	351
Political Subdivision net VLDP OPEB Liability	$ 563
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	0.31%

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

7. LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on VRS System investments was determined using a 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

8. DISCOUNT RATE

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 7.00%.

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, 2019, the rate contributed by the political subdivision for the VRS Political Subdivision Employee VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed 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 THE POLITICAL SUBDIVISION'S PROPORTIONATE SHARE OF THE POLITICAL SUBDIVISION EMPLOYEE VLDP NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee VLDP net VLDP OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net OPEB liability	$ 31,000	$ 27,000	$ 23,000

10. POLITICAL SUBDIVISION EMPLOYEE VLDP OPEB FIDUCIARY NET POSITION

Detailed information about the VRS Political Subdivision Employee VLDP's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR.

A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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 requirement and valuations.

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

	VRS-Virginia Local Disability Plan (VLDP)			Allocation of OPEB	
	Teachers	**Political Subdivision**	**Combined Totals**	Internal Service Funds	Governmental Activities
Net OPEB liability	$ 191,000	$ 27,000	$ 218,000	$ 1,950	$ 216,050
OPEB Expense	213,000	47,000	260,000	3,394	256,606
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	9,000	-	9,000	-	9,000
Net difference between projected and actual earnings on OPEB plan investments	5,000	-	5,000	-	5,000
Changes of assumptions	14,000	-	14,000	-	14,000
Employer contributions subsequent to the measurement date	327,000	73,000	400,000	5,273	394,727
Total deferred outflows of resources	355,000	73,000	428,000	5,273	422,727
Deferred inflows of resources:					
Changes of assumptions	-	5,000	5,000	361	4,639
Total deferred inflows of resources	$ -	$ 5,000	$ 5,000	$ 361	$ 4,639

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	**VRS OPEB**			**OPEB Combined**
	OPEB Trust	**GLI**	**HIC**	**VLDP**	**Totals**
Net OPEB liability	$ 126,958,548	$ 48,656,000	$ 87,654,020	$ 218,000	$ 263,486,568
OPEB Expense	15,733,774	864,000	7,592,214	260,000	24,449,988
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	1,789,000	2,785,000	9,000	4,583,000
Net difference between projected and actual earnings on OPEB plan investments	2,132,832	-	-	5,000	2,137,832
Changes of assumptions	-	-	-	14,000	14,000
Difference between expected and actual experience	12,138,304	-	-	-	12,138,304
Employer contributions subsequent to the measurement date	-	2,910,000	6,325,000	400,000	9,635,000
Total deferred outflows of resources	14,271,136	4,699,000	9,110,000	428,000	28,508,136
Deferred inflows of resources:					
Difference between expected and actual experience	-	1,078,000	-	-	1,078,000
Net difference between projected and actual earnings on OPEB plan investments	-	1,831,000	208,336	-	2,039,336
Changes of assumptions	3,103,092	2,506,000	947,074	5,000	6,561,166
Changes in proportion	-	48,000	-	-	48,000
Total deferred inflows of resources	$ 3,103,092	$ 5,463,000	$ 1,155,410	$ 5,000	$ 9,726,502

In addition, we are providing the allocation schedule for the Internal Service Funds and Governmental Activities:

	Allocation of OPEB		
	Internal Service Funds	Governmental Activities	Total OPEB
Net OPEB liability	$ 1,132,997	$ 262,353,571	$ 263,486,568
OPEB Expense	108,610	24,341,378	24,449,988
Deferred outflows of resources:			
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	4,583,000	4,583,000
Net difference between projected and actual earnings on OPEB plan investments	13,066	2,124,766	2,137,832
Changes of assumptions	-	14,000	14,000
Difference between expected and actual experience	74,362	12,063,942	12,138,304
Employer contributions subsequent to the measurement date	33,506	9,601,494	9,635,000
Total deferred outflows of resources	120,934	28,387,202	28,508,136
Deferred inflows of resources:			
Difference between expected and actual experience	7,003	1,070,997	1,078,000
Net difference between projected and actual earnings on OPEB plan investments	15,621	2,023,715	2,039,336
Changes of assumptions	39,377	6,521,789	6,561,166
Changes in proportion	3,466	44,534	48,000
Total deferred inflows of resources	$ 65,467	$ 9,661,035	$ 9,726,502

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 (non-professional). Both are administered by the VRS.

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

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

1. PLAN DESCRIPTION-Professional Plan

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

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

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

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

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

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

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

		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. 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%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	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.	Exceptions to COLA Effective Dates: Same as Plan 1	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage 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 and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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. 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. LCPS contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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. Contribution to the pension plan from LCPS were $82,475,000 and $78,001,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, LCPS reported a liability of $843,087,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. LCPS' proportion of the Net Pension Liability was based on LCPS actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, LCPS' proportion was 6.85549% as compared to 6.6172% at June 30, 2016.

For the year ended June 30, 2018 LCPS recognized pension expense of $84,306,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, 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	$ -	$ 59,697,000
Net difference between projected and actual earnings on pension plan investments	-	30,630,000
Changes of assumptions	12,303,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,435,000	-
Employer contributions subsequent to the measurement date	82,475,000	-
Total	$ 163,213,000	$ 90,327,000

$82,475,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019.

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,		
2017	$	(11,011,000)
2018		17,507,000
2019		3,633,000
2020		(20,087,000)
2021		369,000
Total	$	(9,589,000)

c. Actuarial Assumptions

The total pension liability for the VRS Professional Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates:

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability	$ 12,297,975
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	72.92%

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 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

f. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by LCPS for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net pension liability	$ 1,259,010,000	$ 843,087,000	$ 499,033,000

h. Pension Plan Fiduciary Net Position

Information about the VRS Political Subdivision Retirement Plans are also available in the separately issued VRS 2017 CAFR.
A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

2. PLAN DESCRIPTION-Non-Professional Plan

Name of Plan:
Virginia Retirement System
Identification of Plan:
Non-Professional Plan-Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity:
Virginia Retirement System

All full-time, salaried permanent (non-professional) employees of the LCPS are automatically covered by 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 (non-professional) employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below.

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS-NON-PROFESSIONAL PLAN</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID
RETIREMENT PLAN</th></tr>
<tr>
<td>About Plan 1
Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</td>
<td>About Plan 2
Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</td>
<td>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, creditable service and average final compensation at retirement using a formula.
• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td>
</tr>
<tr>
<td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</td>
<td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</td>
<td>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.
*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</td>
</tr>
</table>

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

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

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

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

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

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

a. Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	589
Inactive members:	
Vested inactive members	154
Non-vested inactive members	571
Inactive members active elsewhere in VRS	252
Total inactive members	977
Active members	1,829
Total covered employees	3,395

b. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of* Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

LCPS' contractually required contribution rate for the year ended June 30, 2018 was 5.97% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from LCPS were $3,252,000 and $3,088,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

c. Net Pension Liability

The LCPS' net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Inflation	2.5 percent
Salary increases, including inflation – Political Subdivision Employees	3.5 percent – 5.35 percent
Investment rate of return	7.0 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

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

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

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

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

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

All Others (Non 10 Largest) – Non-LEOS:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected aritmetic nominal return		7.30%

∗ The above allocation provides a one-year return of 7.3%. 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 6.83%, including expected inflation of 2.50%.

f. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2016	$ 137,868,428	$ 124,606,185	$ 13,262,243
Changes for the year:			
Service cost	5,208,652	-	5,208,652
Interest	9,458,644	-	9,458,644
Difference between expected and actual experience	(37,051)	-	(37,051)
Changes of assumptions	(2,079,869)		(2,079,869)
Contributions-employer	-	3,078,857	(3,078,857)
Contributions-employee	-	2,623,815	(2,623,815)
Net investment income	-	15,251,273	(15,251,273)
Benefit payments, including refunds of employee contributions	(5,489,891)	(5,489,891)	-
Administrative expenses	-	(85,950)	85,950
Other changes	-	(13,679)	13,679
Net changes	7,060,485	15,364,425	(8,303,940)
Balances at June 30, 2017	$ 144,928,913	$ 139,970,610	$ 4,958,303

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
LCPS' net pension liability	$ 25,058,000	$ 4,958,303	$ (11,653,000)

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

For the year ended June 30, 2018, LCPS recognized pension expense of $1,696,000. At June 30, 2018, LCPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 508,000	$ 321,000
Investment experience	4,913,000	6,931,000
Change of assumptions		1,566,000
Employer contributions subsequent to the measurement date	3,252,000	-
Total	$ 8,673,000	$ 8,818,000

Contributions of $3,252,000 made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019.

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,	
2019	$ (1,721,000)
2020	104,000
2021	(449,000)
2022	(1,331,000)
Total	$ (3,397,000)

3. PLANS REPORTING

The VRS Professional plan and the VRS Non-professional plan are reported separately herein since each plan has different and distinct characteristics, reporting requirements and valuations.

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

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

b.

	Virginia Retirement System			Allocation of Pensions	
	Professional Plan	Non-Professional Plan	Combined Totals	Internal Service Funds	Governmental Activities
Net pension liability	$ 843,087,000	$ 4,958,000	$ 848,045,000	$ 633,379	$ 847,411,621
Pension Expense	84,306,000	1,696,000	86,002,000	177,000	85,825,000
Deferred outflows of resources:					
Changes in proportion and difference between employer contributions and proportionate share of contributions	68,435,000	-	68,435,000	-	68,435,000
Net difference between projected and actual earnings on pension plan investments	-	4,913,000	4,913,000	512,000	4,401,000
Difference between expected and actual experience	-	508,000	508,000	53,000	455,000
Changes of assumptions	12,303,000	-	12,303,000		12,303,000
Employer contributions subsequent to the measurement date	82,475,000	3,252,000	85,727,000	339,000	85,388,000
Total deferred outflows of resources	163,213,000	8,673,000	171,886,000	904,000	170,982,000
Deferred inflows of resources:					
Difference between expected and actual experience	59,697,000	321,000	60,018,000	33,000	59,985,000
Net difference between projected and actual earnings on pension plan investments	30,630,000	6,931,000	37,561,000	722,000	36,839,000
Changes of assumptions	-	1,566,000	1,566,000	164,000	1,402,000
Total deferred inflows of resources	$ 90,327,000	$ 8,818,000	$ 99,145,000	$ 919,000	$ 98,226,000

K. BUDGETS

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

Encumbrances represent goods or services that have been contracted and are funded; however, these goods or services have not been received or performed. Encumbrances do not constitute expenditures. The budget of any funds encumbered at the end of the fiscal year carries over into the next fiscal year.

L. RESTATEMENT OF NET POSITION

LCPS restated net position as of the beginning of the fiscal year to reflect the implementation of GASB 75 in relation to LCPS OPEB trust and the inclusion of OPEB benefits provided through VRS. The restatement decreased net position by $166,015,606. Below are the details of the restatement:

Description	Net Position, Beginning of Year	Restatement Amount	Net Position Beginning of Year, Restated
Governmental activities-non-OPEB related	$ 1,009,012,945	$ -	$ 1,009,012,945
OPEB Related-Net Position:			
LCPS OPEB trust	(91,598,604)	(36,182,390)	(127,780,994)
VRS-Group Life Insurance	-	(51,466,000)	(51,466,000)
VRS-Health Insurance Credit	-	(78,432,216)	(78,432,216)
VRS-Virginia Local Disability Program	-	65,000	65,000
Primary government-Exhibit II	$ 917,414,341	$ (166,015,606)	$ 751,398,735
Proprietary Funds-Exhibit VIII:			
Internal Services Fund	$ 26,782,204	$ (1,172,272)	$ 25,609,932

Required Supplementary Information subsection includes:

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

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

Trend data for pensions and other postemployment benefits.

The notes to the required supplementary information are also included.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XII

Budgetary Comparison Schedule - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	$ 180,062	$ 180,062	$ 107,774	$ (72,288)
Commonwealth of Virginia	341,054,265	341,079,265	334,329,801	(6,749,464)
County of Loudoun, Virginia	747,164,568	747,050,082	732,468,059	(14,582,023)
Charges for services:				
Tuition and fees	3,031,680	3,031,680	3,140,331	108,651
Revenue from the use of money and property	3,295,981	3,295,981	2,032,297	(1,263,684)
Recovered costs	2,375,000	2,464,486	3,586,291	1,121,805
Other	3,581,572	3,581,572	2,570,910	(1,010,662)
Total revenues	1,100,683,128	1,100,683,128	1,078,235,463	(22,447,665)
EXPENDITURES				
Current:				
Instruction:				
Regular	707,055,086	703,430,848	696,604,520	6,826,328
Special	168,693,758	169,398,483	160,306,981	9,091,502
Adult education	582,541	584,640	538,844	45,796
Other	2,607,142	2,580,157	1,759,115	821,042
Support services:				
Administration	32,150,228	32,250,826	28,712,916	3,537,910
Attendance and health	16,636,750	16,672,500	16,226,541	445,959
Pupil transportation	63,952,523	58,281,953	57,043,127	1,238,826
Facilities services	3,503,982	4,823,439	3,957,909	865,530
Operation and maintenance	84,510,979	91,958,302	84,535,581	7,422,721
School nutrition services	724,697	685,592	494,489	191,103
Technology	32,275,587	35,018,828	29,327,533	5,691,295
Capital outlay	785,114	10,759,104	3,023,804	7,735,300
Total expenditures	1,113,478,387	1,126,444,672	1,082,531,360	43,913,312
Excess (deficiency) of revenues over (under) expenditures	(12,795,259)	(25,761,544)	(4,295,897)	21,465,647
OTHER FINANCING SOURCES				
Transfers in	795,259	795,259	44,677	(750,582)
Total other financing sources	795,259	795,259	44,677	(750,582)
Net change in fund balances	(12,000,000)	(24,966,285)	(4,251,220)	20,715,065
Fund balances at beginning of year	40,596,632	40,596,632	40,596,632	-
Fund balances at end of year	$ 28,596,632	$ 15,630,347	$ 36,345,412	$ 20,715,065

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XIII

Schedule of Employer's Proportionate Share of the Net Pension Liability and Related Ratios

Virginia Retirement System-Pension-Professional Plan

For the Fiscal Year Ended June 30, 2018*

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
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%

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

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

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XIV

Schedule of Changes in Employer's Net Pension Liability and Related Ratios
Virginia Retirement System-Pension-Non-Professional Plan
For the Fiscal Year Ended June 30, 2018*

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

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

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

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XV

Schedule of Employer Contributions
Virginia Retirement System-Pension
For the Fiscal Year Ended June 30, 2018

Professional Plan	Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	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	Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	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%

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

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XVI

Schedule of Changes in the Net OPEB Liability and Related Ratios with Investment Returns
LCPS OPEB Trust*
For the Fiscal Year Ended June 30, 2018

	2017	2018
TOTAL OPEB LIABILITY		
Service cost	$ N/A	$ 7,710,000
Interest	N/A	18,800,379
Changes of benefit terms	N/A	(2,102,019)
Difference between expected and actual experience	N/A	13,574,790
Changes of assumptions	N/A	(3,470,322)
Benefit payments	N/A	(15,724,264)
Net change in total OPEB liability	N/A	18,788,564
Total OPEB liability, beginning of year	N/A	268,596,000
Total OPEB liability, end of year (a)	$ 268,596,000	$ 287,384,564
PLAN FIDUCIARY NET POSITION		
Contributions-employer	$ 26,321,831	$ 27,724,264
Net investment income	10,053,902	7,611,010
Benefit payments	(14,321,831)	(15,724,264)
Administrative expense	(500)	-
Other	(81,795)	-
Net change in plan fiduciary net position	21,971,607	19,611,010
Plan fiduciary net position, beginning	118,843,399	140,815,006
Plan fiduciary net position, ending (b)	$ 140,815,006	$ 160,426,016
Net OPEB Liability-OPEB Trust (ending) (a)-(b)	$ 127,780,994	$ 126,958,548
Plan Fiduciary Net position as a percentage of the Total OPEB liability	52.43%	55.82%
Covered-employee payroll (1)	$ 522,745,000	$ 460,995,350
Net OPEB liability as a percentage of covered-employee payroll	24.44%	27.54%

(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.

Investment Return Schedule

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

*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.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XVII

Schedule of Employer Contributions
LCPS OPEB Trust*
For the Fiscal Year Ended June 30, 2018

OPEB Trust	Actuarial Valuation Date	Fiscal Year	Employer Annual Contribution
	7/1/2017	6/30/2018	$ 27,724,264
	7/1/2015	6/30/2017	26,321,831
	7/1/2015	6/30/2016	24,247,438
	7/1/2014	6/30/2015	24,740,087
	7/1/2013	6/30/2014	23,266,040
	7/1/2012	6/30/2013	17,668,922
	7/1/2011	6/30/2012	23,218,531
	7/1/2009	6/30/2011	19,647,113

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

Schedule is intended to show information for 10 years. Since 2009 is the first year for this presentation, ten years of data is not available. However, additional years will be included as they become available.

Fiscal Year Ending June 30,	Actuarially Determined Contributions (1)	Contributions Made in Relation to the Actuarially Determined Contributions	Contributions Deficiency (Excess)	Covered Payroll (2)	Contributions as a Percentage of Payroll
2018	$ N/A	$ 27,724,264	$ N/A	$ 460,995,350	6.01%
2017	N/A	26,321,831	N/A	522,745,000	5.04%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	
Asset Valuation Method	
IRS Limit Increases	Entry Age Normal, Level Percentage of Payroll
Salary Increases	Market Value of Assets.
Investment Rate of Return	2.5%
Retirement Age	Varies by service
Mortality	6.00% net of OPEB plan investment expense, including inflation.
	Varies by age, same as GASB 75
	Approximate 2006 tale based on Headcount-Weighted RP-2014 Combined Healthy Annuitant, projected generationally with Scale MP-2017 from 2006

(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.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XVIII

Schedule of Employer's Share of Net OPEB Liability
Virginia Retirement System-Group Life Insurance (GLI)
For the Fiscal Year Ended June 30, 2018*

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
	2018	2.94%	$ 44,272,000	$ 542,661,496	8.16%	94.54%

GLI-Political Subdivision

	2018	0.29%	$ 4,384,000	$ 53,727,081	8.16%	94.54%

* 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.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XIX

Schedule of Employer Contributions
Virginia Retirement System-Group Life Insurance (GLI)
For the Fiscal Year Ended June 30, 2018

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
	2018	$ 3,021,689	$ 3,021,689	$ -	$ 581,094,062	0.52%
	2017	2,821,840	2,821,840	-	542,661,496	0.52%
	2016	2,433,288	2,433,288	-	506,935,062	0.48%
	2015	2,290,175	2,290,175	-	477,119,855	0.48%
	2014	2,171,127	2,171,127	-	452,318,042	0.48%
	2013	2,066,435	2,066,435	-	430,507,380	0.48%
	2012	1,145,266	1,145,266	-	409,023,724	0.28%
	2011	1,081,839	1,081,839	-	386,371,122	0.28%
	2010	739,257	739,257	-	385,420,183	0.19%
	2009	1,025,288	1,025,288	-	379,736,289	0.27%
GLI-Political Subdivision						
	2018	$ 300,897	$ 300,897	$ -	$ 57,864,717	0.52%
	2017	279,381	279,381	-	53,727,081	0.52%
	2016	254,042	254,042	-	52,925,461	0.48%
	2015	245,623	245,623	-	51,171,372	0.48%
	2014	240,217	240,217	-	50,045,215	0.48%
	2013	240,335	240,335	-	50,069,822	0.48%
	2012	137,881	137,881	-	49,243,259	0.28%
	2011	135,325	135,325	-	48,330,337	0.28%
	2010	94,798	94,798	-	48,358,115	0.20%
	2009	131,153	131,153	-	48,575,112	0.27%

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XX

Schedule of Employer's Share of Net OPEB Liability
Virginia Retirement System-Health Insurance Credit (HIC)-Teachers
For the Fiscal Year Ended June 30, 2018*

Date	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	6.87%	$ 87,145,000	$ 542,126,406	16.07%	7.04%

* 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.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XXI

Schedule of Changes in the Net OPEB Liability and Related Ratios with Investment Returns
Virginia Retirement System-Health Insurance Credit (HIC)-Political Subdivision
For the Fiscal Year Ended June 30, 2018*

		2018
TOTAL HIC OPEB LIABILITY		
Service Cost	$	68,731
Interest		139,537
Changes in assumptions		(60,019)
Benefit Payments		(57,252)
Net change in total HIC OPEB Liability		90,997
Total HIC OPEB liability - beginning		2,022,011
Total HIC OPEB liability - ending (a)	$	2,113,008
PLAN FIDUCIARY NET POSITION		
Contributions - employer	$	107,353
Net Investment income		163,092
Benefit Payments		(57,252)
Administrative Expense		(2,698)
Other		8,051
Net change in plan fiduciary net position		218,546
Plan fiduciary net position - beginning		1,385,442
Plan fiduciary net position - ending (b)	$	1,603,988
Net OPEB Liability-HIC Political Subdivision	$	509,020
Plan Fiduciary Net position as a percentage of the Total OPEB liability		75.91%
Covered Payroll	$	53,683,988
Net OPEB liability as a percentage of covered payroll		0.95%

* 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.

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XXII

Schedule of Employer Contributions
Virginia Retirement System-Health Insurance Credit (HIC)
For the Fiscal Year Ended June 30, 2018

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
	2018	$ 7,145,959	$ 7,145,959	$ -	$ 580,972,292	1.23%
	2017	6,017,603	6,017,603	-	542,126,406	1.11%
	2016	5,347,894	5,347,894	-	504,518,323	1.06%
	2015	5,023,870	5,023,870	-	473,949,958	1.06%
	2014	4,995,977	4,995,977	-	450,088,055	1.11%
	2013	4,750,883	4,750,883	-	428,007,513	1.11%
	2012	2,450,507	2,450,507	-	408,417,854	0.60%
	2011	2,316,234	2,316,234	-	386,039,073	0.60%
	2010	2,844,688	2,844,688	-	385,105,085	0.74%
	2009	4,102,483	4,102,483	-	379,859,538	1.08%
HIC-Political Subdivision						
	2018	$ 115,730	$ 115,730	$ -	$ 57,864,863	0.20%
	2017	107,368	107,368	-	53,683,988	0.20%
	2016	100,049	100,049	-	52,657,193	0.19%
	2015	96,772	96,772	-	50,932,626	0.19%
	2014	119,791	119,791	-	49,912,895	0.24%
	2013	119,642	119,642	-	49,851,021	0.24%
	2012	118,447	118,447	-	49,352,744	0.24%
	2011	115,892	115,892	-	48,288,138	0.24%
	2010	198,108	198,108	-	48,319,043	0.41%
	2009	199,235	199,235	-	48,593,942	0.41%

See accompanying notes to the required supplementary information.

LOUDOUN COUNTY PUBLIC SCHOOLS

Exhibit XXIII

Schedule of Employer's Share of Net OPEB Liability
Virginia Retirement System-Virginia Local Disability Program (VLDP)
For the Fiscal Year Ended June 30, 2018*

VLDP-Teachers	Date	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
	2018	31.84%	$ 191,000	$ 89,862,999	0.21%	31.96%

VLDP-Political Subdivision						
	2018	4.68%	$ 27,000	$ 8,601,102	0.31%	38.40%

* 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.

See accompanying notes to the required supplementary information.

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, 2018

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
	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	Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	2018	$ 78,766	$ 78,766	$ -	$ 13,127,622	0.60%
	2017	51,607	51,607	-	8,601,102	0.60%
	2016	35,461	35,461	-	5,910,085	0.60%
	2015	18,774	18,774	-	3,128,970	0.60%
	2014	1,981	1,981	-	330,143	0.60%

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

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information (RSI)

Loudoun County Public Schools
June 30, 2018

I. BUDGETARY COMPARISON SCHEDULE

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

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

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

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

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

II. VIRGINIA RETIREMENT SYSTEM (System)

A. TEACHER'S-PROFESSIONAL PLAN

1. CHANGES OF BENEFIT TERMS

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

2. CHANGES OF ASSUMPTIONS

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

B. POLITICAL SUBDIVISION NON-PROFESSIONAL PLAN

1. CHANGES OF BENEFIT TERMS

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a relatively new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

2. CHANGES OF ASSUMPTIONS

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

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

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increase rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

III. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. LCPS OPEB TRUST

1. CHANGES OF BENEFIT TERMS

The June 30, 2018 liabilities in this report were developed based on data as of July 1, 2017. Plan changes effective as of January 1, 2017 were included in the valuation. Effective as of January 1, 2017:

- The medical deductibles and out-of-pocket maximums were increased for the OAP plan.
- The medical deductibles and copayments on urgent care visits were increased for the POS plan.

2. CHANGES OF ASSUMPTIONS

The June 30, 2018 liabilities in this report were developed based on data as of July 1, 2017. Multiple assumption changes were made in the valuation. These changes include:

- The long-term rate of return was decreased from 7.00% to 6.00%.
- The valuation-year per capita health costs were updated.
- The retiree self-pay contribution rates were updated to their current levels.
- The future trend on the valuation-year per capita health costs and retiree self-pay contribution rates was modified.
- The assumed mortality, disability, withdrawal, retirement, and salary increase rates were modified.
- Retirement rates are assumed to begin once eligible for a benefit through the Virginia Retirement System instead of when eligible for retiree health benefit.
- The percentage of future retirees assumed to elect coverage was increased from 51% to 60%.
- The percentage of future retirees assumed to also have a covered spouse was decreased from 45% to 35%.
- The assumed age difference between future retirees and their spouse was decreased from three to two years.

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

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

2. CHANGES OF ASSUMPTIONS – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

OTHER SUPPLEMENTARY INFORMATION

Capital Improvements Fund
Nonmajor Governmental Funds
Proprietary Funds
Fiduciary Funds
Component Units-The Charter Schools

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CAPITAL IMPROVEMENTS FUND

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

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 1

Budgetary Comparison Schedule - Budget and Actual
Capital Improvements Fund
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	$ 935,705,628	$ 169,919,757	$ 1,105,625,385	$ 1,377,756,191
Other	450,000	-	450,000	350,000
Total revenues	936,155,628	169,919,757	1,106,075,385	1,378,106,191
EXPENDITURES				
Current:				
Support services:				
Facilities services	803,465	14,080	817,545	961,000
Capital outlay	884,942,163	173,549,180	1,058,491,343	1,377,145,191
Total expenditures	885,745,628	173,563,260	1,059,308,888	1,378,106,191
Excess (deficiency) of revenues over (under) expenditures	50,410,000	(3,643,503)	46,766,497	-
OTHER FINANCING USES				
Transfers out	(55,359)	-	(55,359)	-
Total other financing uses	(55,359)	-	(55,359)	-
Net change in fund balance	$ 50,354,641	(3,643,503)	$ 46,711,138	$ -
Fund balances at beginning of year		50,354,641		
Fund balances at end of year		$ 46,711,138		

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.

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, 2018

	Special Revenue			
	Lease Fund	School Nutrition Services Fund	Grant Fund	Capital Asset Preservation Fund
ASSETS				
Accounts receivable, net	$ -	$ 485,988	$ 4,090,686	$ -
Due from other governmental units	-	-	2,494,165	-
Interfund receivables	-	14,389,227	-	7,350,325
Inventories	-	313,732	-	-
Prepaid items	-	1,128	-	-
Restricted cash on deposit with others	3,485,817	-	-	-
Total assets	$ 3,485,817	$ 15,190,075	$ 6,584,851	$ 7,350,325
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 136,492	$ 247,998	$ 94,140	$ 839,547
Accrued liabilities	-	1,516,310	1,481,025	-
Interfund payables	1,098,925	-	2,462,539	-
Unearned revenues	-	1,166,487	2,503,722	-
Total liabilities	1,235,417	2,930,795	6,541,426	839,547
Fund balances:				
Nonspendable:				
Inventories	-	313,732	-	-
Prepaid items and deposits	-	1,128	-	-
Permanent fund-nonexpendable	-	-	-	-
Restricted for:				
Restricted by legal agreement	2,250,400	-	43,425	-
Committed to:				
Subsequent years' appropriations	-	-	-	-
Capital asset preservation	-	-	-	6,510,778
Assigned to:				
School nutrition services fund	-	11,944,420	-	-
Total fund balances	2,250,400	12,259,280	43,425	6,510,778
Total liabilities and fund balances	$ 3,485,817	$ 15,190,075	$ 6,584,851	$ 7,350,325

Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds	
			ASSETS
$ -	$ -	$ 4,576,674	Accounts receivable, net
-	-	2,494,165	Due from other governmental units
2,396,901	25,870	24,162,323	Interfund receivables
-	-	313,732	Inventories
-	-	1,128	Prepaid items
-	-	3,485,817	Restricted cash on deposit with others
$ 2,396,901	$ 25,870	$ 35,033,839	Total assets
			LIABILITIES AND FUND BALANCES
			Liabilities:
$ -	$ -	$ 1,318,177	Accounts payable
-	-	2,997,335	Accrued liabilities
-	-	3,561,464	Interfund payables
-	-	3,670,209	Unearned revenues
-	-	11,547,185	Total liabilities
			Fund balances:
			Nonspendable:
-	-	313,732	Inventories
-	-	1,128	Prepaid items and deposits
-	25,870	25,870	Permanent fund-nonexpendable
			Restricted for:
-	-	2,293,825	Restricted by legal agreement
			Committed to:
2,396,901	-	2,396,901	Subsequent years' appropriations
-	-	6,510,778	Capital asset preservation
			Assigned to:
-	-	11,944,420	School nutrition services fund
2,396,901	25,870	23,486,654	Total fund balances
$ 2,396,901	$ 25,870	$ 35,033,839	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, 2018

	Special Revenue			
	Lease Fund	School Nutrition Services Fund	Grant Fund	Capital Asset Preservation Fund
REVENUES				
Intergovernmental:				
Federal government	$ -	$ 10,122,501	$ 15,438,237	$ -
Commonwealth of Virginia	-	411,782	3,251,766	-
County of Loudoun, Virginia	-	-	-	12,688,000
Charges for services:				
Tuition and fees	-	-	17,372	-
Food sales	-	18,808,535	-	-
Other	62,681	727,298	1,149,659	-
Total revenues	62,681	30,070,116	19,857,034	12,688,000
EXPENDITURES				
Current:				
Instruction:				
Regular	-	-	7,023,214	-
Special	-	-	11,894,844	-
Adult education	-	-	349,454	-
Support services:				
Operation and maintenance	145,875	-	-	13,484,381
School nutrition services	-	27,338,433	15,229	-
Technology	6,179,173	-	567,940	-
Capital outlay	3,224,663	55,699	5,597	1,084,697
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	9,549,711	27,394,132	19,856,278	14,569,078
Excess (deficiency) of revenues over (under) expenditures	(9,487,030)	2,675,984	756	(1,881,078)
OTHER FINANCING SOURCES (USES)				
Capital leases and installment purchases	10,000,000	-	-	-
Transfers out	-	-	(44,677)	-
Total other financing sources (uses), net	10,000,000	-	(44,677)	-
Net change in fund balances	512,970	2,675,984	(43,921)	(1,881,078)
Fund balances at beginning of year	1,737,430	9,583,296	87,346	8,391,856
Fund balances at end of year	$ 2,250,400	$ 12,259,280	$ 43,425	$ 6,510,778

Debt Service Fund	Permanent Peabody Trust Fund	Total Nonmajor Governmental Funds	
			REVENUES
			Intergovernmental:
$ -	$ -	$ 25,560,738	Federal government
-	-	3,663,548	Commonwealth of Virginia
10,293,895	-	22,981,895	County of Loudoun, Virginia
			Charges for services:
-	-	17,372	Tuition and fees
-	-	18,808,535	Food sales
-	-	1,939,638	Other
10,293,895	-	72,971,726	Total revenues
			EXPENDITURES
			Current:
			Instruction:
-	1,050	7,024,264	Regular
-	-	11,894,844	Special
-	-	349,454	Adult education
			Support services:
-	-	13,630,256	Operation and maintenance
-	-	27,353,662	School nutrition services
-	-	6,747,113	Technology
-	-	4,370,656	Capital outlay
			Debt service:
9,992,314	-	9,992,314	Principal
301,581	-	301,581	Interest
10,293,895	1,050	81,664,144	Total expenditures
-	(1,050)	(8,692,418)	Excess (deficiency) of revenues over (under) expenditures
			OTHER FINANCING SOURCES (USES)
-	-	10,000,000	Capital leases and installment purchases
-	-	(44,677)	Transfers out
-	-	9,955,323	Total other financing sources (uses), net
-	(1,050)	1,262,905	Net change in fund balances
2,396,901	26,920	22,223,749	Fund balances at beginning of year
$ 2,396,901	$ 25,870	$ 23,486,654	Fund balances at end of year

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 4

Budgetary Comparison Schedule - Budget and Actual
Lease Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Other	$ -	$ -	$ 62,681	$ 62,681
EXPENDITURES				
Current:				
Administration	2,000	2,000	-	2,000
Operation and maintenance	-	145,875	145,875	-
Technology	7,100,000	7,932,373	6,179,173	1,753,200
Capital outlay	2,898,000	3,650,291	3,224,663	425,628
Total expenditures	10,000,000	11,730,539	9,549,711	2,180,828
Excess (deficiency) of revenues over (under) expenditures	(10,000,000)	(11,730,539)	(9,487,030)	2,243,509
OTHER FINANCING SOURCES				
Capital leases and installment purchases	10,000,000	11,730,539	10,000,000	(1,730,539)
Net change in fund balances	-	-	512,970	512,970
Fund balances at beginning of year	1,737,430	1,737,430	1,737,430	-
Fund balances at end of year	$ 1,737,430	$ 1,737,430	$ 2,250,400	$ 512,970

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 5

Budgetary Comparison Schedule - Budget and Actual
School Nutrition Services Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	$ 9,179,212	$ 9,179,212	$ 10,122,501	$ 943,289
Commonwealth of Virginia	364,421	364,421	411,782	47,361
Charges for services:				
Food sales	20,769,824	20,825,523	18,808,535	(2,016,988)
Other	-	-	727,298	727,298
Total revenues	30,313,457	30,369,156	30,070,116	(299,040)
EXPENDITURES				
Current:				
Support services:				
School nutrition services	30,313,457	30,313,457	27,338,433	2,975,024
Capital outlay	-	55,699	55,699	-
Total expenditures	30,313,457	30,369,156	27,394,132	2,975,024
Net change in fund balances	-	-	2,675,984	2,675,984
Fund balances at beginning of year	9,583,296	9,583,296	9,583,296	-
Fund balances at end of year	$ 9,583,296	$ 9,583,296	$ 12,259,280	$ 2,675,984

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 6

Budgetary Comparison Schedule - Budget and Actual
Grant Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
Federal government	$ 16,452,701	$ 22,669,225	$ 15,438,237	$ (7,230,988)
Commonwealth of Virginia	4,985,801	8,868,365	3,251,766	(5,616,599)
Charges for services:				
Tuition and fees	50,000	92,397	17,372	(75,025)
Other	2,203,396	3,132,125	1,149,659	(1,982,466)
Total revenues	23,691,898	34,762,112	19,857,034	(14,905,078)
EXPENDITURES				
Current:				
Instruction:				
Regular	7,991,051	10,868,872	7,023,214	3,845,658
Special	12,903,602	18,989,363	11,894,844	7,094,519
Adult education	309,073	369,293	349,454	19,839
Support services:				
School nutrition services	-	32,988	15,229	17,759
Technology	2,477,672	4,296,271	567,940	3,728,331
Capital outlay	10,500	205,325	5,597	199,728
Total expenditures	23,691,898	34,762,112	19,856,278	14,905,834
Excess (deficiency) of revenues over (under) expenditures	-	-	756	(756)
OTHER FINANCING USES				
Transfers out	-	-	(44,677)	44,677
Total other financing uses	-	-	(44,677)	44,677
Net change in fund balances	-	-	(43,921)	43,921
Fund balances at beginning of year	87,346	87,346	87,346	-
Fund balances at end of year	$ 87,346	$ 87,346	$ 43,425	$ 43,921

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 7

Budgetary Comparison Schedule - Budget and Actual
Capital Asset Preservation Fund
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	$ 8,391,856	$ 12,688,000	$ 21,079,856	$ 21,079,856
Total revenues	8,391,856	12,688,000	21,079,856	21,079,856
EXPENDITURES				
Current:				
Support services:				
Operation and maintenance	-	13,484,381	13,484,381	21,613,217
Capital outlay	-	1,084,697	1,084,697	(533,361)
Total expenditures	-	14,569,078	14,569,078	21,079,856
Net change in fund balances	$ 8,391,856	(1,881,078)	$ 6,510,778	$ -
Fund balances at beginning of year		8,391,856		
Fund balances at end of year		$ 6,510,778		

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 8

Budgetary Comparison Schedule - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental:				
County of Loudoun, Virginia	$ 10,293,895	$ 10,293,895	$ 10,293,895	$ -
Total revenues	10,293,895	10,293,895	10,293,895	-
EXPENDITURES				
Debt service:				
Principal	9,992,314	9,992,314	9,992,314	-
Interest	301,581	301,581	301,581	-
Total expenditures	10,293,895	10,293,895	10,293,895	-
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	2,396,901	2,396,901	2,396,901	-
Fund balances at end of year	$ 2,396,901	$ 2,396,901	$ 2,396,901	$ -

Proprietary Funds

Proprietary Funds-Internal Services Funds – account for the financing of goods and services provided by one department to other departments within LCPS on a cost reimbursement basis.

Central Service Fund – accounts for the financing of goods and services of the fleet management services.

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

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 9

Combining Statement of Net Position
Proprietary Funds
June 30, 2018

		Central Service Fund		Self-Insurance Fund		Total Internal Service Funds
ASSETS						
Current assets:						
Accounts receivable, net	$	4,444	$	268,316	$	272,760
Interfund receivables		-		67,301,618		67,301,618
Inventories		778,452		-		778,452
Deposits		-		2,719,000		2,719,000
Total current assets		782,896		70,288,934		71,071,830
Noncurrent assets:						
Capital assets:						
Buildings		4,676,411		-		4,676,411
Machinery and equipment		486,652		-		486,652
Accumulated depreciation		(1,646,718)		-		(1,646,718)
Total noncurrent assets		3,516,345		-		3,516,345
Total assets		4,299,241		70,288,934		74,588,175
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to other postemployment benefits		120,934		-		120,934
Deferred outflows related to pension		904,000		-		904,000
Total deferred outflows of resources		1,024,934		-		1,024,934
LIABILITIES						
Current liabilities:						
Accounts payable		592,605		429,197		1,021,802
Accrued liabilities		12,309		1,290,283		1,302,592
Interfund payables		661,507		-		661,507
Claims liabilities		-		17,280,892		17,280,892
Total current liabilities		1,266,421		19,000,372		20,266,793
Noncurrent liabilities:						
Compensated absences		361,551		-		361,551
Claims liabilities		-		976,799		976,799
Net other postemployment benefits liability		1,132,997		-		1,132,997
Net pension liability		633,379		-		633,379
Total noncurrent liabilities		2,127,927		976,799		3,104,726
Total liabilities		3,394,348		19,977,171		23,371,519
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to other postemployment benefits		65,467		-		65,467
Deferred inflows related to pension		919,000		-		919,000
Total deferred inflows of resources		984,467		-		984,467
NET POSITION						
Invested in capital assets		3,516,345		-		3,516,345
Unrestricted		(2,570,985)		50,311,763		47,740,778
Total net position	$	945,360	$	50,311,763	$	51,257,123

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 10

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Central Service Fund	Self-Insurance Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ 17,175,991	$ 194,219,007	$ 211,394,998
Use of property	12,587	-	12,587
Total operating revenues	17,188,578	194,219,007	211,407,585
OPERATING EXPENSES			
Claims	-	153,356,217	153,356,217
Personnel services	5,901,416	5,657,154	11,558,570
Other services and charges	2,246,542	8,939,609	11,186,151
Materials and supplies	9,193,323	258,840	9,452,163
Depreciation	207,293	-	207,293
Total operating expenses	17,548,574	168,211,820	185,760,394
Net operating income (loss)	(359,996)	26,007,187	25,647,191
Net position at beginning of year, restated (Note IV.L.)	1,305,356	24,304,576	25,609,932
Net position at end of year	$ 945,360	$ 50,311,763	$ 51,257,123

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 11

Combining Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Central Service Fund	Self-Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 17,192,466	$ 194,383,913	$ 211,576,379
Payments to suppliers for goods and services	(11,137,317)	(9,902,007)	(21,039,324)
Claims paid	-	(152,379,418)	(152,379,418)
Payments to employees	(5,789,407)	(5,657,154)	(11,446,561)
Payments to interfund services	(265,742)	(26,445,334)	(26,711,076)
Net cash provided by operating activities	-	-	-
Net cash	-	-	-
Cash at beginning of year	-	-	-
Cash at end of year	$ -	$ -	$ -

Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities:

	Central Service Fund	Self-Insurance Fund	Total Internal Service Funds
NET OPERATING INCOME (LOSS)	$ (359,996)	$ 26,007,187	$ 25,647,191
ADJUSTMENTS NOT AFFECTING CASH			
Depreciation	207,293	-	207,293
(INCREASE) DECREASE IN ASSETS AND INCREASE (DECREASE) IN LIABILITIES			
Accounts receivable, net	3,888	164,906	168,794
Interfund receivables	-	(26,445,334)	(26,445,334)
Inventories	(58,446)	-	(58,446)
Accounts payable	348,685	386,102	734,787
Accrued liabilities	12,309	(1,089,660)	(1,077,351)
Interfund payables	(265,742)	-	(265,742)
Claims liabilities	-	976,799	976,799
Compensated absences	361,551	-	361,551
Net other postemployment benefits liability	(94,741)	-	(94,741)
Net pension liability	(154,801)	-	(154,801)
Total adjustments	359,996	(26,007,187)	(25,647,191)
Net cash provided by operating activities	$ -	$ -	$ -

Fiduciary Funds

Payroll Liabilities Distribution Fund – accounts for monies collected and disbursed in connection with employee payroll liabilities. As of June 30, 2018, this fund is no longer used as the payroll liabilities are being collected and disbursed through the General Fund. All liabilities as of June 30, 2017 were paid during fiscal year 2018.

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

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 12

Combining Statement of Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2018

	Payroll Liabilities Distribution Fund	Student Activity Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 7,981,132	$ 7,981,132
Total assets	$ -	$ 7,981,132	$ 7,981,132
LIABILITIES			
Collections held in trust	$ -	$ 7,981,132	$ 7,981,132
Total liabilities	$ -	$ 7,981,132	$ 7,981,132

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 13

Statement of Changes in Assets and Liabilities
Payroll Liabilities Distribution Fund
For the Fiscal Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
ASSETS				
Accounts receivable, net	$ 3,200	$ -	$ 3,200	$ -
Due from general fund	13,594,486	-	13,594,486	-
Total assets	$ 13,597,686	$ -	$ 13,597,686	$ -
LIABILITIES				
Accounts payable	$ 13,597,686	$ -	$ 13,597,686	$ -
Total liabilities	$ 13,597,686	$ -	$ 13,597,686	$ -

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 14

Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Fiscal Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
ASSETS				
Cash and cash equivalents	$ 7,767,964	$ 22,417,059	$ 22,203,891	$ 7,981,132
Total assets	$ 7,767,964	$ 22,417,059	$ 22,203,891	$ 7,981,132
LIABILITIES				
Collections held in trust	$ 7,767,964	$ 22,417,059	$ 22,203,891	$ 7,981,132
Total liabilities	$ 7,767,964	$ 22,417,059	$ 22,203,891	$ 7,981,132

Component Units

The Middleburg Community Charter School – is a public school which provides the children of Loudoun County an 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 skill and are immersed in hands-on, engineering, and creative-arts based projects that support the rigorous academic program.

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 15

Balance Sheet-Governmental Fund
Component Unit-Middleburg Community Charter School
June 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	$ 91,372
Total assets	$ 91,372
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable	$ 24,843
Payroll liabilities	2,591
Due to Primary Government	55
Total liabilities	27,489
Fund balances:	
Unassigned	63,883
Total fund balance	63,883
Total liabilities and fund balance	$ 91,372

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 16

Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund
Component Unit-Middleburg Community Charter School
For the Fiscal Year Ended June 30, 2018

	General Fund
REVENUES	
Revenue from the use of money and property	$ 4,842
Miscellaneous	1,766
Donations and contributions	54,677
Contributions from Loudoun County Public Schools	2,251,805
Revenue from the Commonwealth	251,336
Total revenues	2,564,426
EXPENDITURES	
Education:	
Instructional	1,907,470
Attendance and health services	33,588
Transportation	124,175
Operation and maintenance	422,080
Food services	4,497
Total expenditures	2,491,810
Excess of revenues under expenditures	72,616
Fund balances at beginning of year	(8,733)
Fund balances at end of year	$ 63,883

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 17

Statement of Fiduciary Net Position-Fiduciary Fund
Component Unit-Middleburg Community Charter School
June 30, 2018

	Agency Fund Student Activity Fund
ASSETS	
Cash and cash equivalents	$ 6,625
Total assets	$ 6,625
LIABILITIES	
Amounts held for student activities	$ 6,625
Total liabilities	$ 6,625

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 18

Statement of Changes in Assets and Liabilities-Fiduciary Fund
Component Unit-Middleburg Community Charter School
For the Year Ended June 30, 2018

	Agency Fund-Student Activity Fund			
	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
ASSETS				
Cash and cash equivalents	$ 4,358	$ 20,863	$ 18,596	$ 6,625
Total assets	$ 4,358	$ 20,863	$ 18,596	$ 6,625
LIABILITIES				
Amounts held for student activities	$ 4,358	$ 20,863	$ 18,596	$ 6,625
Total liabilities	$ 4,358	$ 20,863	$ 18,596	$ 6,625

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 19

Balance Sheet-Governmental Fund
Component Unit-Hillsboro Charter Academy
June 30, 2018

		General Fund
ASSETS		
Cash and cash equivalents	$	220,712
Accounts receivable		2,424
Prepaid items		3,350
Total assets	$	226,486
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Accounts payable	$	5,035
Due to primary government		10,627
Unearned revenue		1,321
Total liabilities		16,983
Fund balances:		
Nonspendable		
Prepaid items		3,350
Unassigned		206,153
Total fund balance		209,503
Total liabilities and fund balance	$	226,486

LOUDOUN COUNTY PUBLIC SCHOOLS

Schedule 20

Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund
Component Unit-Hillsboro Charter Academy
For the Fiscal Year Ended June 30, 2018

	General Fund
REVENUES	
Student fees	$ 42,802
Miscellaneous	45
Donations and contributions	19,850
Fundraising	79,641
Revenue from the use of money and property	2,410
Contributions from Loudoun County Public Schools	2,094,248
Grants	25,267
Revenue from the Commonwealth	12,500
Total revenues	2,276,763
EXPENDITURES	
Education:	
Instructional	1,321,377
Administration and health services	224,410
Transportation	74,796
Operation and maintenance	537,405
Fundraising	7,092
Food services	16,576
Total expenditures	2,181,656
Excess of revenues over expenditures	95,107
Fund balances at beginning of year	114,396
Fund balances at end of year	$ 209,503

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STATISTICAL SECTION

Unaudited-See accompanying accountant's report

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

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STATISTICAL SECTION

Information is presented in the following five categories:

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

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

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

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

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

LOUDOUN COUNTY PUBLIC SCHOOLS
Net Position by Component

(accrual basis of accounting)

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

(1) LCPS restated net position for the implementation of GASB Statement 75 relating to OPEB accounting in the amount of $166,015,606.
LCPS restated net position for the implementation of GASB Statement 68 relating to pension accounting in the amount of $779,749,733.
Net position was also restated for an omission of Due to County of $3,500,000 relating to FY13.

Table A

(accrual basis of accounting)

2013	2012	2011	2010	2009	Governmental Activities
		Fiscal Year			
$ 1,345,039,435	$ 1,296,827,243	$ 1,270,621,901	$ 1,186,800,468	$ 1,086,311,784	Net investment in capital assets
45,542,377	12,565,925	69,473,633	95,452,677	160,218,669	Restricted
(101,134,357)	(69,354,696)	(12,775,272)	8,838,294	25,277,868	Unrestricted
1,289,447,455	1,240,038,472	1,327,320,262	1,291,091,439	1,271,808,321	Total net position, as previously reported
-	-	(34,531,174)	-	-	Prior period adjustments/restatements
$ 1,289,447,455	$ 1,240,038,472	$ 1,292,789,088	$ 1,291,091,439	$ 1,271,808,321	Total net position

LOUDOUN COUNTY PUBLIC SCHOOLS
Changes in Net Position

(accrual basis of accounting)

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

Table B

(accrual basis of accounting)

Governmental Activities	2013	2012	2011	2010	2009
	Fiscal Year				
Expenses					
Instruction:					
Regular	$ 544,209,456	$ 498,166,427	$ 465,240,531	$ 464,661,346	$ 471,240,098
Special	150,140,769	134,924,678	124,011,095	120,605,745	123,261,065
Adult education	820,681	787,327	760,810	769,910	770,593
Other	4,229,954	3,689,350	2,917,550	4,002,410	4,883,320
Charter School	-	-	-	-	-
Total instruction	699,400,860	637,567,782	592,929,986	590,039,411	600,155,076
Support Services:					
Administration	19,821,969	18,052,399	15,074,767	15,824,671	18,347,484
Attendance and health	11,188,037	10,734,630	10,064,592	9,314,661	9,434,209
Pupil transportation	57,473,572	55,331,621	51,561,510	50,694,334	54,943,361
Facilities services	3,377,440	3,529,974	3,275,504	3,689,902	3,263,164
Operation and maintenance	77,922,303	73,877,222	68,467,436	67,939,211	66,991,571
School nutrition services	25,892,431	22,892,698	20,986,848	20,000,225	20,643,026
Total support services	195,675,752	184,418,544	169,430,657	167,463,004	173,622,815
Technology	22,013,000	20,048,569	19,278,461	13,359,595	22,981,405
Interest on long-term debt	296,132	378,606	504,983	703,699	873,645
Total Expenses	917,385,744	842,413,501	782,144,087	771,565,709	797,632,941
Program Revenues					
Charges for services:					
Regular instruction	256,118	329,664	281,123	1,260,283	427,516
All other instruction	2,255,854	2,072,849	1,821,150	923,957	595,899
School nutrition services	16,130,468	17,197,025	15,390,731	14,435,361	14,640,606
Operating grants and contributions	28,188,749	32,446,316	42,960,956	27,462,090	23,065,337
Capital grants and contributions	112,100,829	14,393,179	56,206,737	43,444,555	114,790,866
Total program revenues	158,932,018	66,439,033	116,660,697	87,526,246	153,520,224
Net (expense)	(758,453,726)	(775,974,468)	(665,483,390)	(684,039,463)	(644,112,717)
General Revenues and Other Changes in Net Position					
Grants and contributions not restricted to specific purposes:					
Federal Government	309,764	262,340	215,102	17,592,422	187,092
Commonwealth of Virginia	247,085,380	215,824,328	197,840,065	164,606,186	176,955,174
County of Loudoun, Virginia	553,640,610	501,922,225	464,830,655	515,093,801	532,583,195
Revenue from the use of money and property	2,166,749	2,468,547	1,968,263	2,225,179	1,276,599
Other	4,660,206	2,746,412	2,326,953	3,804,993	3,648,838
Special items	-	-	-	-	4,915,284
Total general revenues and other changes in net position	807,862,709	723,223,852	667,181,038	703,322,581	719,566,182
Change in Net Position	$ 49,408,983	$ (52,750,616)	$ 1,697,648	$ 19,283,118	$ 75,453,465

LOUDOUN COUNTY PUBLIC SCHOOLS
Fund Balances of Governmental Funds

(modified accrual basis of accounting)

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

(1) Fiscal year 2010 restated for comparison purposes to reflect retroactive implementation of GASB Statement No. 54

(2) The Grant Fund is treated as a Special Revenue Fund beginning in fiscal year 2014, but was part of the General Fund prior to fiscal year 2014.

Table C

(modified accrual basis of accounting)

Fiscal Year 2013	2012	2011	2010 (1)	2009	
					General Fund:
			$ 5,106,821	$ 7,219,418	Reserved
					Unreserved:
			21,251,835	21,979,177	Designated
			40,834,609	27,540,779	Undesignated
			67,193,265	56,739,374	Total General Fund
					All other governmental funds:
			49,544,036	112,941,078	Reserved
					Unreserved:
					Designated:
			59,786,608	76,223,606	Capital Improvements Fund
			1,362,971	1,564,781	School Nutrition Services Fund
			4,871,213	6,021,973	Capital Asset Preservation Fund
			2,817,028	2,755,318	Debt Service Fund
			118,381,856	199,506,756	Total all other governmental funds
			$ 185,575,121	$ 256,246,130	Total governmental funds
					General Fund:
$ 357,661	$ 257,478	$ 373,807	$ 371,977		Nonspendable
-	139,923	139,733	154,535		Restricted
27,734,254	34,859,396	34,062,781	21,251,835		Committed
15,346,560	6,381,727	9,788,628	4,602,384		Assigned
940,166	1,050,478	17,267,996	40,812,534		Unassigned
44,378,641	42,689,002	61,632,945	67,193,265		Total General Fund
					All other governmental funds:
820,962	710,751	762,265	440,129		Nonspendable
45,509,471	12,695,648	69,771,866	95,771,366		Restricted
1,941,931	1,584,871	10,907,154	3,913,563		Committed
2,833,861	4,602,172	16,016,808	18,256,798		Assigned
-	-	-	-		Unassigned
51,106,225	19,593,442	97,458,093	118,381,856		Total all other governmental funds
95,484,866	62,282,444	159,091,038	185,575,121		Total governmental funds, previously reported
-	-	-	-		Prior period adjustment
$ 95,484,866	$ 62,282,444	$ 159,091,038	$ 185,575,121		Total governmental funds

LOUDOUN COUNTY PUBLIC SCHOOLS
Changes in Fund Balances of Governmental Funds

(modified accrual basis of accounting)

	Fiscal Year				
	2018	**2017**	**2016**	**2015**	**2014**
Revenues					
Intergovernmental	$ 1,289,031,572	$ 1,152,913,390	$ 1,102,620,217	$ 1,053,666,344	$ 983,141,375
Charges for services	21,966,238	21,540,968	19,252,192	18,348,715	17,722,817
Revenue from the use of money and property	2,032,297	1,873,339	1,958,475	1,717,382	2,067,086
Recovered costs	3,586,291	3,547,551	2,363,494	2,320,500	2,343,701
Other	4,510,548	3,754,591	4,506,263	4,091,304	4,624,365
Total revenues	1,321,126,946	1,183,629,839	1,130,700,641	1,080,144,245	1,009,899,344
Expenditures					
Current:					
Instruction	878,478,022	814,953,656	761,368,922	709,551,487	663,454,627
Support services	231,968,561	206,364,658	199,404,249	190,099,253	181,309,660
Technology	36,074,646	36,366,962	29,539,481	29,484,711	22,659,717
Capital outlay	180,943,640	137,330,180	103,463,999	100,059,392	154,728,949
Debt service:					
Principal	9,992,314	9,972,603	9,214,448	8,738,395	7,865,235
Interest	301,581	300,748	275,601	264,102	294,160
Total expenditures	1,337,758,764	1,205,288,807	1,103,266,700	1,038,197,340	1,030,312,348
Excess (deficiency) of revenues over (under) expenditures	(16,631,818)	(21,658,968)	27,433,941	41,946,905	(20,413,004)
Other financing sources (uses)					
Capital leases and installment purchases	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Transfers in	44,677	23,824,678	-	-	-
Transfers out	(44,677)	(10,901,458)	(23,268,000)	(5,346,761)	(3,662,419)
Total other financing sources (uses), net	10,000,000	22,923,220	(13,268,000)	4,653,239	6,337,581
Special items	-	-	-	(26,764,758)	-
Net change in fund balances	$ (6,631,818)	$ 1,264,252	$ 14,165,941	$ 19,835,386	$ (14,075,423)
Debt service as a percentage of noncapital expenditures	0.89%	0.96%	0.95%	0.93%	0.93%

Table D

(modified accrual basis of accounting)

Fiscal Year 2013	2012	2011	2010	2009	
					Revenues
$ 941,325,334	$ 763,402,998	$ 761,007,710	$ 768,199,054	$ 859,924,227	Intergovernmental
18,642,425	19,599,523	17,493,004	16,619,601	15,664,021	Charges for services
1,891,239	1,628,008	1,731,045	1,826,239	1,171,360	Revenue from the use of money and property
1,272,925	990,753	777,941	1,643,011	1,687,246	Recovered costs
3,639,900	3,438,034	2,705,833	2,161,982	1,961,592	Other
966,771,823	789,059,316	783,715,533	790,449,887	880,408,446	Total revenues
					Expenditures
					Current:
640,643,449	593,019,659	548,789,942	553,924,417	557,051,356	Instruction
181,711,775	173,163,246	157,287,431	157,707,112	161,757,163	Support services
20,720,834	19,094,197	18,342,289	12,434,855	22,060,892	Technology
90,315,280	96,087,978	82,810,759	129,654,365	68,959,648	Capital outlay
					Debt service:
7,859,917	8,420,767	8,764,638	10,630,454	9,210,454	Principal
363,146	500,063	648,557	824,868	836,791	Interest
941,614,401	890,285,910	816,643,616	865,176,071	819,876,304	Total expenditures
25,157,422	(101,226,594)	(32,928,083)	(74,726,184)	60,532,142	Excess (deficiency) of revenues over (under) expenditures
					Other financing sources (uses)
9,926,000	7,000,000	8,144,000	6,363,000	10,000,000	Capital leases and installment purchases
55,359	-	-	-	1,267,444	Transfers in
(1,936,359)	(2,582,000)	(1,700,000)	(2,307,825)	(9,525,627)	Transfers out
8,045,000	4,418,000	6,444,000	4,055,175	1,741,817	Total other financing sources (uses), net
-	-	-	-	-	**Special items**
$ 33,202,422	$ (96,808,594)	$ (26,484,083)	$ (70,671,009)	$ 62,273,959	**Net change in fund balances**
0.97%	1.12%	1.28%	1.56%	1.34%	Debt service as a percentage of noncapital expenditures

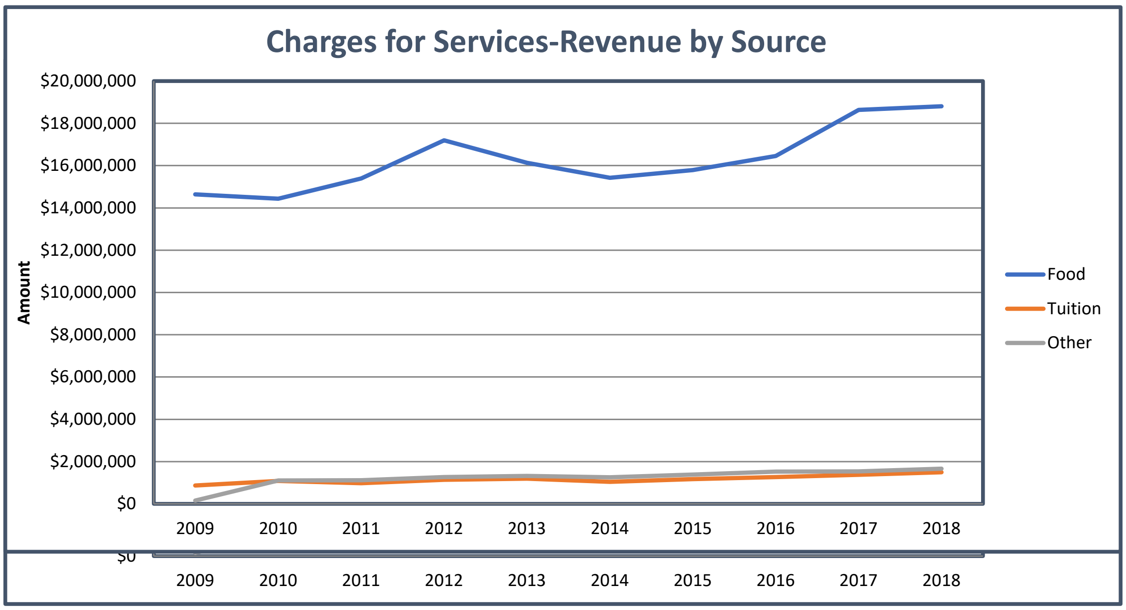
LOUDOUN COUNTY PUBLIC SCHOOLS

Table E

Charges for Services Revenue
by Source (1)

(modified accrual basis of accounting)

Fiscal Year	Food Sales	Tuition	Testing Fees (2)	Driver's ED Fees	Miscellaneous Fees	Total
2018	$ 18,808,535	$ 1,494,805	$ 1,356,283	$ 278,598	$ 28,017	$ 21,966,238
2017	18,633,779	1,375,894	1,223,442	258,270	49,583	21,540,968
2016	16,454,344	1,268,321	1,174,692	284,332	70,503	19,252,192
2015	15,786,657	1,172,247	1,078,542	288,773	22,496	18,348,715
2014	15,422,559	1,045,638	985,557	255,874	13,189	17,722,817
2013	16,130,453	1,191,128	1,073,836	227,701	19,307	18,642,425
2012	17,197,010	1,138,757	1,058,137	188,173	17,445	19,599,522
2011	15,390,731	981,109	945,699	145,629	29,836	17,493,004
2010	14,435,361	1,081,648	928,704	122,043	51,765	16,619,521
2009	14,640,606	868,075	15,516	124,637	15,187	15,664,021



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

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

LOUDOUN COUNTY PUBLIC SCHOOLS

Table F

School Nutrition Services Sales Price Breakdown

Fiscal Year	Breakfast		Lunch		
			Student		
	Student	Adult	Elementary	Secondary	Adult
2018	$2.10	n/a(1)	$3.00	$3.10	$4.10
2017	$2.10	n/a(1)	$3.00	$3.10	$4.10
2016	$2.10	n/a(1)	$3.00	$3.10	$4.10
2015	$2.10	n/a(1)	$3.10	$3.20	$4.10
2014	$2.00	$2.30	$3.00	$3.10	$4.00
2013	$2.00	$2.25	$3.00	$3.10	$4.00
2012	$2.00	$2.25	$3.00	$3.10	$4.00
2011	$1.70	$1.95	$2.70	$2.80	$3.70
2010	$1.45	$1.70	$2.45	$2.55	$3.45
2009	$1.30	$1.55	$2.30	$2.40	$3.30

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

Source: LCPS - School Nutrition Services Office

LOUDOUN COUNTY PUBLIC SCHOOLS

Table G

Food Sales - Annual Meals Served

Fiscal Year	Students Served: Breakfasts	Students Served: Free & Reduced Breakfasts	Students Served: Lunches	Students Served: Free & Reduced Lunches	Adult Lunches
2018	286,367	811,561	2,817,858	1,866,394	47,606
2017	236,467	763,087	2,753,158	1,869,432	52,413
2016	220,562	741,029	2,443,532	1,728,039	52,595
2015	161,687	547,787	2,378,468	1,541,255	53,926
2014	155,358	547,787	2,429,268	1,490,766	66,313
2013	184,562	548,712	2,717,735	1,507,780	86,095
2012	207,876	540,122	2,999,644	1,453,241	90,557
2011	208,513	465,932	3,055,697	1,298,501	90,979
2010	190,321	394,550	3,137,934	1,187,122	101,503
2009	192,864	324,346	3,441,144	1,059,420	123,246

Source: LCPS - School Nutrition Services Office

LOUDOUN COUNTY PUBLIC SCHOOLS

Table H

Ratios of Outstanding Debt by Type

Fiscal Year	Capital Leases	Total Reporting Entity	Percentage of Personal Income	Debt Per Capita
2018	$ 25,153,593	$ 25,153,593	0.08%	$ 62
2017	25,145,907	25,145,907	0.09%	64
2016	25,118,510	25,118,510	0.09%	66
2015	24,332,957	24,332,957	0.09%	66
2014	23,071,352	23,071,352	0.10%	65
2013	20,936,587	20,936,587	0.09%	61
2012	18,870,504	18,870,504	0.08%	57
2011	20,291,271	20,291,271	0.10%	63
2010	20,911,909	20,911,909	0.11%	67
2009	25,179,363	25,179,363	0.13%	83

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

LOUDOUN COUNTY PUBLIC SCHOOLS

Table I

Demographic Statistics

Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)	School Enrollment (5)
2018	402,561	$ 30,473,867,700	$ 75,700	2.7%	81,235
2017	391,622	28,627,568,200	75,100	3.2%	79,001
2016	379,753	27,045,249,154	71,218	3.4%	76,263
2015	368,859	25,837,097,514	70,046	3.8%	73,461
2014	355,359	24,014,095,143	67,577	4.5%	70,858
2013	341,516	22,716,619,772	66,517	4.7%	68,289
2012	329,110	22,447,934,880	68,208	4.8%	65,668
2011	320,265	21,150,941,130	66,042	5.0%	63,220
2010	312,311	19,669,034,469	62,979	5.2%	60,096
2009	304,964	18,746,421,461	61,471	5.0%	57,009

(1) 2010, U.S. Census Bureau. Other years are Loudoun County Department of Planning & Zoning estimates (August 2018).

(2) Loudoun County Department of Management and Budget

(3) Through 2016: U.S. Bureau of Economic Analysis, 11/16/2017 release; 2017-18 Department of Management and Budget estimates.

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

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

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

LOUDOUN COUNTY PUBLIC SCHOOLS

Table J

Principal Employers in the County of Loudoun, Virginia

Current Year and Nine Years Ago

Employer	June 30, 2018 Rank	June 30, 2018 Number of Employees (1)	June 30, 2018 Percentage of Total County Employment (2)	June 30, 2009 Rank	June 30, 2009 Number of Employees (1)	June 30, 2009 Percentage of Total County Employment (2)
Loudoun County Public Schools	1	11,103	6.68%	1	10,533	7.88%
County of Loudoun	2	3,976	2.39%	2	3,304	2.47%
United Air Lines, Inc.	3	1,000-5,000	2.11%	7	1,000-5,000	2.62%
Orbital ATK, Inc. (formerly Orbital Sciences Corp)	4	1,000-5,000	2.11%	9	1,000-5,000	2.62%
M.C. Dean, Inc.	5	1,000-5,000	2.11%	5	1,000-5,000	2.62%
U.S. Department of Homeland Security	6	1,000-5,000	2.11%	6	1,000-5,000	2.62%
Raytheon Company	7	1,000-3,500	1.65%			
Loudoun Hospital Center	8	1,000-5,000	2.11%	8	1,000-5,000	2.62%
Swissport USA, Inc.	9	1,000-3,500	1.65%	10	1,000-5,000	2.62%
US Postal Service	10	1,000-5,000	2.11%			
America Online				3	1,000-5,000	2.62%
Verizon Business (formerly MCI Worldcom)				4	1,000-5,000	2.62%
Totals			25.03%			31.31%

(1) Source: Virginia Employment Commission, 4th Quarter 2017 and 2008, Loudoun County Public Schools, and Loudoun County Department of Management and Financial Services

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

LOUDOUN COUNTY PUBLIC SCHOOLS

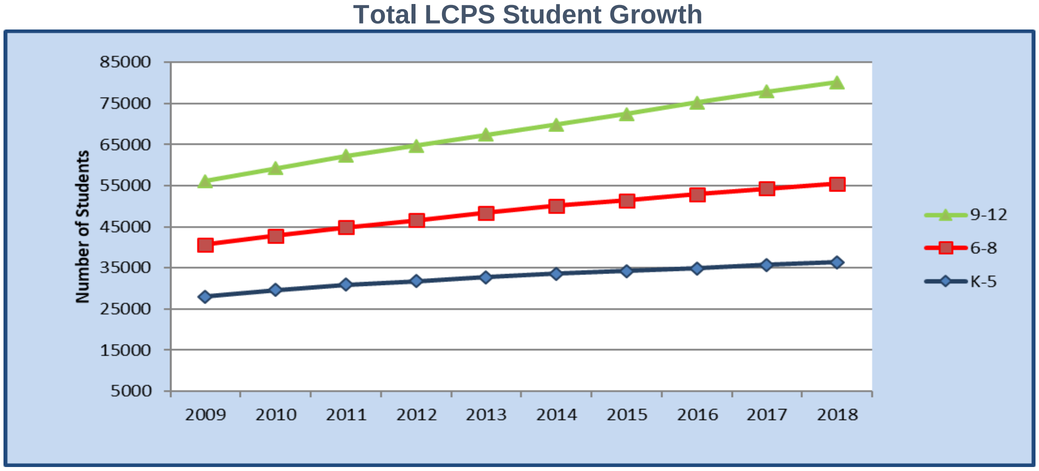
Table K

Enrollment Trend

Last Ten Fiscal Years

Fiscal Year	Grades K-5	Grades 6-8	Grades 9-12	Total
2018	36,383	19,070	24,674	80,127
2017	35,736	18,570	23,592	77,898
2016	34,928	18,021	22,263	75,212
2015	34,274	17,121	21,038	72,433
2014	33,574	16,512	19,782	69,868
2013	32,750	15,623	18,980	67,353
2012	31,785	14,824	18,106	64,715
2011	30,895	13,956	17,392	62,243
2010	29,567	13,237	16,401	59,205
2009	28,014	12,634	15,499	56,147

Total LCPS Student Growth



Source: LCPS Department of Planning & Legislative Services

LOUDOUN COUNTY PUBLIC SCHOOLS

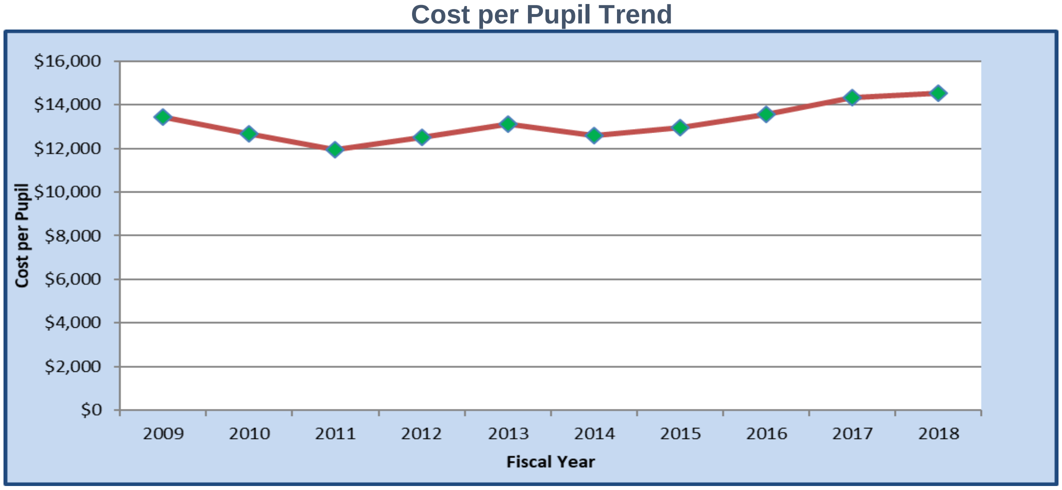
Table L

Cost per Pupil

Last Ten Fiscal Years

Fiscal Year		Cost per Pupil
2018	$	14,548
2017		14,332
2016		13,549
2015		12,951
2014		12,611
2013		13,121
2012		12,514
2011		11,946
2010		12,669
2009		13,449

Cost per Pupil Trend



Source: LCPS Budget Office as reported to Commonwealth of Virginia

LOUDOUN COUNTY PUBLIC SCHOOLS

Table M

Scholastic Assessment Test (SAT) Scores

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

Last Ten Fiscal Years

	Combined SAT Scores Evidence-based Reading and Writing and Math (1)		
Fiscal Year	County of Loudoun	Commonwealth of Virginia	National
2018	1184	1117	1068
2017	1155	1102	1060

	Combined SAT Scores Critical Reading, Math and Writing		
Fiscal Year	County of Loudoun	Commonwealth of Virginia	National
2016	1617	1535	1484
2015	1612	1533	1490
2014	1611	1530	1497
2013	1606	1528	1498
2012	1590	1517	1498
2011	1592	1516	1500
2010	1596	1518	1506
2009	1592	1516	1505

Source: LCPS Research Office

(1) The SAT exam was redesigned in March 2016 to include two sections with a maximum total score of 1600.
The maximum score for the old SAT exam was 2400; the 2017 scores are not comparable to previous SAT scores.

LOUDOUN COUNTY PUBLIC SCHOOLS

Table N

Average Class Size - Students per Classroom Teacher

Last Ten Fiscal Years

Fiscal Year	Elementary	Middle/ Intermediate	High
2018	23.0	23.8	24.8
2017	23.0	23.8	24.8
2016	23.0	22.3	24.8
2015	23.0	23.6	26.9
2014	24.0	23.6	27.9
2013	24.0	23.6	27.9
2012	24.0	23.6	27.9
2011	24.0	23.6	27.9
2010	23.0	22.6	26.9
2009	23.0	22.6	26.9

Source: LCPS Budget Office

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

Last Ten Fiscal Years

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

Source: LCPS Budget Office

Table O

2013	2012	2011	2010	2009	Function
		Fiscal Year			
					School based:
5,188.6	5,041.3	4,829.5	4,766.6	4,707.6	Instruction
876.5	899.5	904.5	876.5	862.5	Bus drivers & attendants
1,255.6	1,213.3	1,142.7	1,102.8	1,093.7	Teacher assistants
510.5	494.5	485.0	486.0	482.0	Custodians
394.9	382.4	357.8	343.5	339.5	Other school support
283.0	277.0	266.0	257.0	249.0	Administration
191.1	187.7	154.0	171.5	174.8	Instructional support
90.4	87.8	86.8	77.8	76.8	Nurses & health clinic specialists
8,790.6	8,583.5	8,226.3	8,081.7	7,985.9	Total school based FTE's
					Non-school based:
140.0	144.5	150.2	148.5	148.5	Secretarial/clerical
338.2	324.7	314.3	319.8	319.8	Other support staff
128.0	124.7	142.7	99.8	99.8	Administration
606.2	593.9	607.2	568.1	568.1	Total non-school based FTE's
9,396.8	9,177.4	8,833.5	8,649.8	8,554.0	Total FTE's

LOUDOUN COUNTY PUBLIC SCHOOLS
Miscellaneous Statistics

Last Ten Fiscal Years

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

Source: LCPS Public Information Office

Table P

Fiscal Year 2013	2012	2011	2010	2009	Function
96.2%	96.4%	96.2%	96.0%	96.2%	Attendance percentage
0.67%	0.30%	0.60%	0.85%	0.62%	Drop-out rate
4,563	4,920	4,922	4,880	4,416	English as a Second Language students served
$34,931,604	$28,800,000	$23,490,561	$27,706,456	$20,635,763	Financial aid received by graduates
					Graduates pursuing further education:
4,351	4,222	3,649	3,251	3,434	Number of students
91.3%	90.2%	92.9%	89.5%	89.8%	Percent of students
92.9%	92.9%	93.1%	92.1%	93.5%	Percent of staff that is school-based
14	28	25	20	18	National Merit Scholarship Committee Semifinalists
6,554	6,554	6,359	5,959	5,647	Gifted & Talented students served

LOUDOUN COUNTY PUBLIC SCHOOLS
Capital Assets Statistics
by Function

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

Source: LCPS Construction Division

Table Q

		Fiscal Year			
2013	**2012**	**2011**	**2010**	**2009**	**Function**
					Elementary Schools:
53	52	52	51	50	Buildings
3,790,826	3,690,349	3,690,349	3,588,208	3,497,213	Square footage
33,945	33,070	33,070	32,318	31,731	Capacity
					Middle Schools:
14	14	13	13	13	Buildings
2,234,279	2,234,279	2,056,399	2,056,399	2,029,747	Square footage
16,696	16,696	15,346	15,476	15,403	Capacity
					High Schools:
13	12	12	10	10	Buildings
3,149,764	2,874,190	2,874,190	2,342,849	2,342,849	Square footage
20,523	18,723	18,723	15,118	15,206	Capacity
					Education Centers:
2	2	2	2	2	Buildings
124,862	124,862	124,862	124,862	124,862	Square footage
854	854	840	780	731	School Buses

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