

# TOWN OF **Herndon** VIRGINIA



## Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019

The CAFR is online at [www.herndon-va.gov/departments/finance](http://www.herndon-va.gov/departments/finance)

THIS PAGE INTENTIONALLY LEFT BLANK

**TOWN OF HERNDON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2019**

Prepared by the  
Department of Finance

THIS PAGE INTENTIONALLY LEFT BLANK

**TOWN OF HERNDON, VIRGINIA  
FINANCIAL REPORT**

**TABLE OF CONTENTS**

Page(s)

**INTRODUCTORY SECTION**

<b>Letter of Transmittal</b> .....	i-vi
<b>Certificate of Achievement for Excellence in Financial Reporting</b> .....	vii
<b>Organizational Chart</b> .....	viii
<b>Directory of Public Officials</b> .....	ix

**FINANCIAL SECTION**

<b>Independent Auditor’s Report</b> .....	1-3
<b>Management’s Discussion and Analysis</b> .....	4a – 4m
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements:</b>	
Exhibit A-1 – Statement of Net Position .....	5
Exhibit A-2 – Statement of Activities .....	6
<b>Fund Financial Statements:</b>	
Exhibit A-3 – Balance Sheet – Governmental Funds .....	7-8
Exhibit A-4 – Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position.....	9
Exhibit A-5 –Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	10-11
Exhibit A-6 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
Exhibit A-7 – Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund.....	13-14
Exhibit A-8 – Statement of Net Position – Proprietary Funds .....	15-16
Exhibit A-9 – Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds .....	17-18
Exhibit A-10 – Statement of Cash Flows – Proprietary Funds .....	19-20
Exhibit A-11 – Statement of Fiduciary Net Position – Fiduciary Fund .....	21
Exhibit A-12 – Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	22
<b>Notes to Financial Statements</b> .....	23-73

**Required Supplementary Information**

Exhibit A-13 - Schedule of Changes in Net OPEB Liability and Related Ratios-Local Plan	74
Exhibit A-14 - Schedule of OPEB Contributions .....	75
Exhibit A-15 - Schedule of Employer's Share of Net OPEB Liability .....	76
Exhibit A-16 - Schedule of Changes in Net Pension Liability and Related Ratios.....	77
Exhibit A-17 - Schedule of Pension Contributions .....	78
Notes to Required Supplementary Information .....	79-80

**Other Supplementary Information**

Exhibit B-1 – Combining Balance Sheet – Nonmajor Governmental Funds .....	82
Exhibit B-2 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	83
Exhibit B-3 – General Fund – Balance Sheet.....	84
Exhibit B-4 – General Fund – Schedule of Revenues – Budget and Actual .....	85-87
Exhibit B-5 – General Fund – Schedule of Expenditures – Budget and Actual.....	88-93
Exhibit B-6 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Fund and Information Systems Improvement Fund.....	94
Exhibit B-7 – Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Water and Sewer Fund .....	95
Exhibit B-8 – Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Golf Course Fund.....	96
Exhibit B-9 – Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Chestnut Grove Cemetery Fund.....	97
Exhibit B-10 – Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Downtown Parking Fund .....	98

## STATISTICAL SECTION

Table 1 – Net Position by Component.....	100
Table 2 – Changes in Net Position.....	101-103
Table 3 – Fund Balances - Governmental Funds.....	104
Table 4 – Changes in Fund Balances - Governmental Funds.....	105-106
Table 5 – Tax Revenues by Source - Governmental Funds.....	107
Table 6 – Assessed Value and Estimated Actual Value of Taxable Property.....	108
Table 7 – Direct and Overlapping Property Tax Rates.....	109
Table 8 – Principal Property Taxpayers.....	110
Table 9 – Real Property Tax Levies and Collections.....	111
Table 10 – Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding.....	112
Table 11 – Direct and Overlapping Governmental Activities Debt.....	113
Table 12 – Legal Debt Margin Information.....	114
Table 13 – Pledged Revenue Coverage.....	115
Table 14 – Demographic and Economic Statistics.....	116
Table 15 – Principal Employers.....	117
Table 16 – Full-time Town Government Equivalent Employees by Function/Program.....	118-119
Table 17 – Operating Indicators by Function/Program.....	120
Table 18 – Capital Asset Statistics by Function/Program.....	121

## COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	122-123
Summary of Compliance Matters.....	124

THIS PAGE INTENTIONALLY LEFT BLANK





[www.herndon-va.gov](http://www.herndon-va.gov)

## **INTRODUCTORY SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK



**William H. Ashton II**  
TOWN MANAGER  
T(703) 787-7368  
F(703) 787-7325  
Bill.ashton@herndon-va.gov

TOWN COUNCIL  
Lisa C. Merkel, Mayor  
Jennifer K. Baker, Vice Mayor  
Grace Wolf Cunningham  
Jeffrey L. Davidson  
Signe Friedrichs  
Bill McKenna  
Sheila A. Olem

November 22, 2019

The Honorable Mayor, Members of the Town Council and Citizens of the Town of Herndon, Virginia

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Herndon, Virginia (town), for the fiscal year ended June 30, 2019. The Herndon Town Charter, Section 4.2 (f), requires that the Town Manager arrange for an annual audit by a certified public accountant. In addition, Section 15.2-2511 of the Code of Virginia requires that all counties, cities and towns with populations greater than 3,500 as well as all towns with a separate school system, regardless of size, have their accounts and records audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia. This report is formally submitted to you in fulfillment of those requirements.

The financial statements included in this report, which have earned an unmodified audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts.

Town management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is believed to be accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the town. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the town's financial affairs. For additional information regarding the basic financial statements and the town's financial position, please refer to Management's Discussion and Analysis (MD&A) which appears in the financial section of the report.

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

The town's financial statements have been audited by Brown Edwards & Company, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the town for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the report's financial section.

## **Profile of the Town**

The Town of Herndon, Virginia is located in the northwest quadrant of Fairfax County about 23 miles west of Washington DC. The town has a land area of 4.25 square miles and was incorporated in 1879. The local economy originally centered on dairy farming and the railroad. The town was at one time in the heart of Northern Virginia's important dairy farming community. And, until about sixty years ago, it remained essentially a quiet country village where well-to-do Washingtonians rode the railroad to summer vacation homes. Since that time, the town's economic and demographic makeup has changed dramatically. The annual population estimate of the town as of January 1, 2019 is 23,949 persons. If the town is developed according to the currently adopted comprehensive master plan, it is anticipated that the 2030 population will increase to approximately 26,934.

The town is organized under the council / manager form of government. The Town Council, in its role as governing body, formulates policies for the proper administration of the town. The Mayor and six members of the Council are elected simultaneously for two-year terms. The Council appoints a Town Manager to be the administrative head of the town. The manager is charged with directing all business affairs of the town.

The town provides the usual general governmental services for its citizens that are typical of towns in Virginia. These include public works and utilities, parks and recreation, police protection, community development, and other administrative services. In Virginia, incorporated towns are an integral part of the county in which they are located. The citizens of the town, therefore, pay Fairfax County property taxes (real estate and personal property), in addition to town taxes. In exchange, Fairfax County provides public education, certain technical and special education, libraries, health and human services, mental health assistance, fire and ambulance services, judicial services, correctional facilities and additional recreation activities and facilities.

The Town Manager is required by the Code of Virginia to prepare and present to the Town Council a proposed budget no later than April 1 of each year. The Town Council is required to adopt a budget prior to July 1 and shall fix a tax rate for the budget year at that time. The annual budget serves as the foundation for the town's financial planning and control. The town initiates its budget process for the upcoming fiscal year in October and the Town Council determines goals, objectives, and priorities between November and December. Departments submit their budget requests which are then reviewed by the Town Manager between January and February. A brief synopsis of the budget as proposed by the Town Manager is published at least once in a newspaper with general circulation within the town. The public hearing provides citizens of the town an opportunity to comment on the recommended budget. Activities of the General Fund, Capital Projects Fund, and Special Revenue Fund are included in the annual appropriations resolution and adopted budget.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by individual fund. Management control is maintained at the department level with all departments having on-line access to expenditure account information. Encumbered amounts lapse at year end, with the exception of capital projects, grants, and certain restricted funds; however, after review, they generally are re-appropriated as part of the following year's budget.

## **Local Economic Conditions and Outlook**

Herndon's economy continues to be healthy and vibrant. Located in Fairfax County at the center of the Dulles Technology Corridor, the town has a significant corporate presence that includes Amazon Web Services; Boeing; Booz Allen Hamilton; Fannie Mae; Karsun Solutions; Northwest Federal Credit Union; Navy Federal Credit Union; Peraton and Serco. The town's office vacancy rate as of June 2019 was 10.3 percent, which is lower than the overall Fairfax County office vacancy rate of 14.4 percent. According to the American Community Survey, the town's median household income in 2017 was \$108,523. According to the Bureau of Labor Statistics, in September 2019, the local unemployment rate in Fairfax County, was 2.0 percent; Commonwealth of Virginia, was 2.7 percent; and the national rate was 3.5 percent. As many of the town's revenue streams are dependent upon consumption, these healthy statistics are positive signs of economic vitality.

The town continues to attract new restaurants, commercial businesses and infill residential development. The second phase of the Silver Line, which will include a stop in Herndon, has spurred strong redevelopment interest in the metro area. In early 2019, the first mixed-use development plan in the metro area was approved; site owner Penzance plans to replace the existing office building with three new buildings to include residential, office and retail uses.

The town has also seen strong reinvestment in its existing commercial core with renovations of Worldgate Metro Plaza that attracted Bohler Engineering and Karsun Solutions as tenants, as well as redevelopment of Herndon Centre that attracted LA Fitness, Sprout's Farmers Market, IHOP and MOD Pizza. The town's overall economic outlook assumes modest growth in property values with other local tax sources remaining flat.

## **Long-term Financial Planning**

The Town Council adopted Vision for Herndon focuses on five major tenets: Honoring People, Celebrating Community Spirit, Enriching Lives through Arts and Entertainment, Championing Business and Technology, and Cultivating a sustainable Environment. The 2035 Vision's five tenets form the cornerstone upon which all town initiatives are built. In addition, the Council adopted specific goals and a strategic plan which advances the Vision Plan.

The town's 2030 Comprehensive Plan addresses the redevelopment of the areas surrounding access to the Herndon Metro station at the southern edge of the town. This transit station is part of Phase 2 of Dulles Rail, a project that will bring the Washington area Metrorail system (dubbed the "Silver Line") to the Herndon area. It is expected to be completed in 2020. The connection by rail of the town and its commercial districts to the entire metropolitan Washington region creates a vastly enhanced marketplace that will likely have broad appeal to businesses. The town continues to focus on planning for development and redevelopment at the future Herndon Metrorail area. The concepts provide for large scale transit-oriented mixed use in the vicinity of the future Station. Also envisioned is redevelopment of existing low-rise office and back office areas resulting in approximately 6.9 million square feet of high quality office, residential, hotel and retail space.

The town's close proximity to Washington Dulles International Airport provides a major stimulus for commercial development. The airport itself has completed a multi-billion-dollar capital construction program resulting in a redesigned facility capable of accommodating significant increases in passenger traffic and airport operations. In fact, the entire Dulles Corridor, in which the town is centrally located, has entered an era of new growth. Over the next 20 years, population in the Dulles Corridor is expected to increase by 45 percent and job growth by 63 percent. This growth potential, along with steady increases in the number of new information system technology and security-related businesses, will have a positive influence on the town and its economic vitality.

## **Long-term Financial Planning (continued)**

The town continued its long-term plan of developing the downtown and cultivating a sustainable environment by issuing \$11.135 million in general obligation public improvement bonds in September 2018. The bond proceeds are funding various capital and transportation projects related to the downtown and areas around the metro and were used to purchase additional capacity for the water system in anticipation of future growth. Additionally, during fiscal year 2019, the town refined its revenue and expenditure forecasting methodologies and updated the rolling usage fee rate model for water and sewer. As of the date of this letter, the town is undertaking a fee and cost recovery study for several major departments. These refinements are designed to help the town to better anticipate and plan for future needs, especially as new housing developments come online and major transportation projects transition into the construction phase.

## **Relevant Financial Policies**

Financial policies are a key component of the town's annual budgetary planning process, which highlights the organization's commitment to fiscal integrity and sound financial management. These policies relate primarily to capital planning and debt management, and provide annual budget guidelines covering operating revenues and expenditures. Included in the policies are strategies which support the adoption of an annual balanced budget; require recurring costs to be supported by recurring revenues; and limit combined outstanding and proposed debt such that the total is no greater than the town's maximum debt capacities. The policies also address minimum General Fund unassigned fund balance requirements and revenue stabilization fund balance guidance. The town's financial policies were updated based on advice from town's financial advisors and were adopted by the Town Council as part of the town's fiscal year 2019 budget. See Management's Discussion and Analysis in the Financial Section of this report for the financial highlights for fiscal year 2019.

## **Major Initiatives**

The town has three major development initiatives that will significantly impact its economy in the coming years: the opening of the Herndon Metrorail station, the construction of the Herndon Downtown Redevelopment Project, and the implementation of the recently adopted South Elden Area Plan.

The Herndon Metrorail station is slated to open in 2020 as part of Phase 2 of the Washington Metro Silver Line project. The town continues to focus on the implementation of the Herndon Transit-Oriented Core (HTOC) plan adopted by the Town Council in 2012, that focuses on redevelopment of 38 acres near the future station. The plan calls for the transformation of the existing low-rise office space into transit-oriented development to include office, residential, hotel and retail space. In April 2019, the Herndon Town Council approved the town's first mixed-use development in the HTOC. The development plan for the 4.3-acre site located at 555 Herndon Parkway allows owner Penzance to replace the existing office building with three new buildings to include residential, office and retail space. The town is in the midst of the land acquisition phase for two major transportation projects related to the Herndon Metro, the Van Buren complete streets project and the Herndon Metro bus bays project. Two other major transportation projects related to the Metro, East Elden Street and Spring Street, are in the final planning and engineering phases and will enter the land acquisition phase in the coming months.

## **Major Initiatives (continued)**

The Herndon Downtown Redevelopment Project is a partnership between the town and Comstock Herndon Venture LC. The project includes the construction of 273 apartments, 17,000 square feet of retail space, an 18,000 square feet Arts Center, and a 787-space parking garage. In early 2019, the town approved the site plan, and the Heritage Preservation Review Board (HPRB) approved the project application by Comstock. The closing on sale of the 4.675 acres of town-owned land to Comstock is expected in early 2020.

The third project is the South Elden Area Plan, approved by the Town Council in February 2019. This long-range planning project will transform 76 acres of property on or near Elden Street south of Sterling Road into a vibrant mixed-use area that has a diversity of housing choices as well as attractive commercial uses to serve nearby residential areas.

## **Awards and Acknowledgements**

Recreation - Herndon's recreational events and programs continued to attract throngs of attendees, with 62,000 people attending the Herndon Festival over four sunny days at a new location – Northwest Federal Credit Union, 5,000 attending the 4<sup>th</sup> of July celebration and more than 1,078 attending the Labor Day Festival.

Golf Course - By continuing its tradition of providing high quality playing conditions, value and service, Herndon Centennial remains one of the premier public golf courses in the Northern Virginia metropolitan area. Golf Digest named Herndon Centennial a "Places to Play" for 18 consecutive years. Herndon Centennial Golf Course celebrated its 40<sup>th</sup> anniversary this year. The golf course's 40<sup>th</sup> year was also its wettest year on record; nevertheless, operating revenues for this enterprise fund exceed \$1.4 million, a 1.3 percent increase over the prior year. Also, during the fiscal year, the course maintained its designation as a "Certified Audubon Cooperative Sanctuary", one of less than 900 in the world so designated.

Tree City USA - The Community Forestry Division of the Department of Community Development received a Tree City USA award from the National Arbor Day Foundation. This is the 30<sup>th</sup> consecutive year that the town has achieved this award, confirming the town's commitment to its tree canopy and environmental stewardship.

Public Safety - The Herndon Police Department participates in the annual "Virginia Law Enforcement Challenge" sponsored by the Virginia Association of Chiefs of Police to highlight enforcement efforts to promote traffic safety by reducing accidents and targeting impaired driving, speeding, distracted driving and other roadway safety issues. The Herndon Police Department has won the first-place award in the competition for the last four consecutive years.

AAA Credit Rating – The town maintained its "triple, triple" credit rating, the highest credit rating possible for a local government, from all three credit agencies: Moody's Investors Service, Inc. (Aaa), Standard and Poor's Corporation (AAA), and Fitch Investor Service (AAA). The town's 2018B series general obligation bond issuance during this fiscal year was also rated Aaa/AAA.

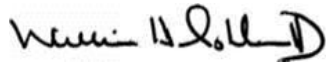
Distinguished Budget Presentation Award - The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the town with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2018. This is the 28<sup>th</sup> consecutive year that the town has achieved this honor. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. The town's budget documents for the fiscal year beginning July 1, 2019 were submitted to GFOA for consideration for another Distinguished Budget Presentation Award.

Certificate of Achievement for Excellence in Financial Reporting – The GFOA has also awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Herndon, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the 44th consecutive year that the town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The current report is designed and prepared to conform to the Certificate of Achievement Program requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

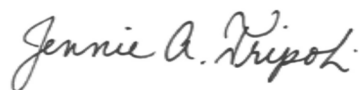
The Town of Herndon continues to maintain a stable financial position through responsible progressive management of financial operations combined with sound accounting and financial reporting practices. The timely preparation of this report could not have been accomplished without the effort of the entire staff of the Department of Finance and the town's independent auditors. We wish to express our appreciation to all who assisted in its preparation and to commend them for the professionalism they displayed throughout the year.

We would also like to express our appreciation to the Mayor and the members of the Town Council for their interest and continued support in planning and conducting the financial operations of the town in responsible and progressive manner.

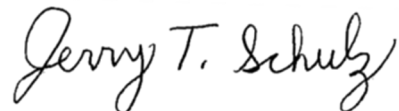
Respectfully submitted,



William H. Ashton II  
Town Manager



Jennie A. Tripoli, CPA  
Director of Finance



Jerry T. Schulz, CPA  
Deputy Director of Finance





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Herndon  
Virginia**

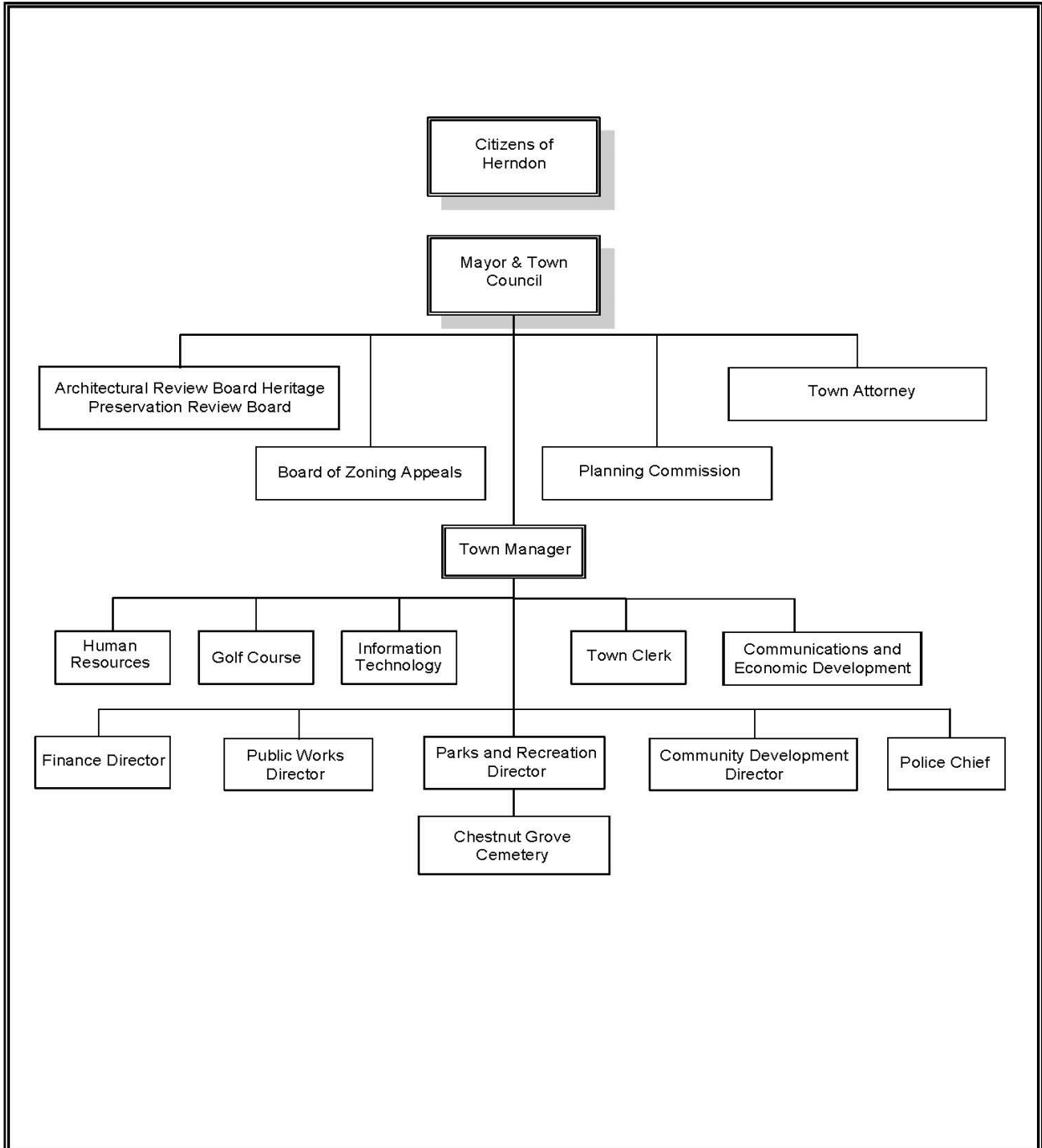
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# TOWN OF HERNDON, VIRGINIA ORGANIZATION CHART





Comprehensive Annual Financial Report  
Year Ended June 30, 2019

Directory of Officials

Lisa C. Merkel  
Mayor

**TOWN COUNCIL**

Sheila A. Olem – Vice Mayor  
Jennifer K. Baker  
Cesar del Aguila  
Pradip Dhakal  
Signe Friedrichs  
Bill McKenna

**MANAGEMENT TEAM**

William H. Ashton II  
Town Manager

Lesia J. Yeatts  
Town Attorney

Anne P. Curtis  
Maggie A. DeBoard  
Gene A. Fleming  
Elizabeth M. Gilleran  
Page Kalapasev  
Tanya J. Kendrick  
Cynthia S. Roeder  
Vacant \*  
Jennie A. Tripoli  
Viki L. Wellershaus

Chief Communications Officer  
Chief of Police  
Director of Golf Course Operations  
Director of Community Development  
Director of Information Technology  
Director of Human Resources  
Director of Parks and Recreation  
Director of Public Works  
Director of Finance  
Town Clerk

**Independent Auditor**

Brown, Edwards & Company, L.L.P.

Prepared by the Department of Finance

\* The Director of Public Works position was vacant during the fiscal year. The position was subsequently filled July 2019.

THIS PAGE INTENTIONALLY LEFT BLANK



[www.herndon-va.gov](http://www.herndon-va.gov)

## **FINANCIAL SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of Town Council  
Town of Herndon, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Herndon, Virginia (the "town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the town, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements. The introductory section, other supplementary information and statistical section, 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 financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 Matters (Continued)***

*Report on Summarized Comparative Information*

We have previously audited the financial statements of the town as of June 30, 2018, and we expressed an unmodified opinion on those statements in our report dated November 26, 2018. The 2018 financial information, included in Exhibits A-11 and A-12, is provided for comparative purposes only.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the town's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the town's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 22, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The following discussion and analysis of the Town of Herndon, Virginia's (town) financial statements provides an overview of the town's financial performance for the fiscal year ended June 30, 2019. Please read it in conjunction with the transmittal letter located in the introductory section of this report and the town's basic financial statements which follow this discussion and analysis.

### FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019

- The town's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of the current fiscal year by \$120.1 million (*total net position*). Of this amount, \$30.0 million in unrestricted net position may be used to meet the town's ongoing obligations to citizens and creditors. See Table 1 for more information.
- The town's governmental activities net position increased by \$2.7 million in fiscal year 2019 versus \$3.3 million in fiscal year 2018. The \$0.55 million difference was driven by an increase in governmental revenues of \$0.7 million due mainly to higher interest income, offset by a \$1.2 million increase in governmental expenses and transfers out, driven by higher operations, maintenance, and interest expenses. See Table 2 for more information.
- For the town's business-type activities, net position increased by \$0.3 million in fiscal year 2019 versus \$0.8 million in fiscal year 2018. The \$0.49 million difference is due to increases in revenues and transfers of \$0.54 million, driven by higher charges for services and interest income, being offset by a \$1.03 million increase in expenses. See Tables 1 and 2 for more information.
- As of the close of the current fiscal year, the town's governmental funds reported combined ending fund balances of \$29.4 million, an increase of \$6.1 million from the previous fiscal year. The majority of this increase is related to unspent bond proceeds in the Capital Projects Fund. Total fund balance increased in the General Fund by \$1.3 million as revenues exceeded expenditures and transfers out. Unassigned General Fund balance increased \$0.3 million and all the other components of General Fund balance increased \$1.0 million. Both the revenue stabilization fund and contingency reserve, components of assigned fund balance, increased by \$0.4 million each. Non-major governmental fund balances increased by \$0.3 million due to higher interest earnings and transfers in. See Table 3 for more information.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$10.5 million, or approximately 30 percent of total General Fund expenditures. Revenues and other financing sources exceeded expenditures and other financing uses by \$1.3 million. After assigning all of the \$0.85 million surplus from FY 2018 and an additional \$0.15 million to the revenue stabilization, contingency, and capital reserve funds, the net increase in unassigned fund balance in FY 2019 was \$0.3 million. General Fund unassigned fund balance is available for spending at the town's discretion and represents approximately 35 percent of the total fund balance of the governmental funds. See Table 3 for more information.
- For the current fiscal year end, general fund total revenues exceeded the amended budget by approximately \$1.0 million, driven mainly by business licenses, building permit fees, and use of money and property. Actual total expenditures and transfers out were less than the amended budget amounts by \$2.4 million, due mainly to salary vacancy savings and deferral of some operations and maintenance expenditures due to timing. See Table 4 for more information.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019 (CONTINUED)

- Government-wide net capital assets increased \$3.8 million from the prior fiscal year as net new investments of \$7.6 million, due mainly to the purchase of additional water capacity, outpaced the \$3.8 million increase in accumulated depreciation. See Table 5 for more information.
- The town's total outstanding debt is \$25.4 million, which is an increase of \$9.8 million, driven mainly by the issuance of \$11.1 million in general obligation bonds which was partially offset by debt service payments during the normal course of business. See Table 6 for more information.

### USING THE FINANCIAL SECTION OF THIS ANNUAL FINANCIAL REPORT

Management's discussion and analysis is intended to serve as an introduction to the town's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the town's finances, in a manner similar to private-sector companies.

The *Statement of Net Position* presents information on all of the town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the town is improving or declining. In addition, nonfinancial factors, such as a change in the town's real estate assessment values or the condition of the town's facilities and infrastructure, should be considered in assessing the overall financial health of the town.

The *Statement of Activities* presents information showing how the town's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is actually received or paid (accrual basis of accounting). Thus, certain revenues and expenses are reported in this statement for items that will result in cash flows for future periods (e.g., uncollected taxes and earned but unused employee annual leave).

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Government-Wide Financial Statements (Continued)

Both government-wide financial statements segregate functions of the town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a substantial portion of their expenses through user fees and charges (business-type activities). The government-wide financial statements are segregated as follows:

Governmental Activities - Many of the activities, programs and services traditionally identified with government are reported here. These activities and services are Legislative, Administration, Town Attorney, Parks and Recreation, Finance, Community Development, Police, and Public Works. These activities are financed primarily through property taxes, other local taxes, charges for services, and intergovernmental revenues (federal, state and local grants).

Business-type Activities - The town has four business-type activities funds: the Water and Sewer Fund (provides customers with water distribution and sewer conveyance); the Golf Course Fund (provides customers with recreational golfing opportunities); the Chestnut Grove Cemetery Fund (operates and manages the Chestnut Grove Cemetery); and the Downtown Parking Fund (operates and manages the town's Downtown Public Shared Parking program). These funds charge a variety of user fees which are dedicated to support a majority, if not all, of respective funds' expenses.

### Fund Financial Statements

The fund financial statements provide more detailed information about the town's more significant funds. A "fund" is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or purposes. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Most of the town's basic services are included in governmental funds which 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 fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the town's programs.

Proprietary Funds – These funds are used to account for the operations that are financed in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both short-term and long-term financial information. The town uses *enterprise funds* (one type of proprietary fund) to account for the activities of the Water and Sewer Fund, Golf Course Fund, Chestnut Grove Cemetery Fund, and Downtown Parking Fund.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside of town government. The town is responsible for ensuring the assets reported in the fund are used for their intended purposes. The town's fiduciary activities are reported in a separate statement of fiduciary net position. The town excludes these activities from the town government-wide financial statements because the town cannot use these assets to finance its programs. The town's fiduciary fund accounts for the Police Supplemental Retirement Pension Trust Fund.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**Statement of Net Position:**

The following table presents a condensed Statement of Net Position (Exhibit A-1) in comparative format:

**Table 1  
Summary Statement of Net Position  
As of June 30  
(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 45,991	\$ 38,898	\$ 21,012	\$ 18,256	\$ 67,003	\$ 57,154
Capital assets, net	79,404	81,607	28,046	18,340	107,450	99,947
<b>Total assets</b>	<b>125,395</b>	<b>120,505</b>	<b>49,058</b>	<b>36,596</b>	<b>174,453</b>	<b>157,101</b>
<b>Deferred outflows of resources</b>	<b>2,133</b>	<b>1,306</b>	<b>284</b>	<b>215</b>	<b>2,417</b>	<b>1,521</b>
Current and other liabilities	4,714	4,176	2,332	1,318	7,046	5,494
Non-current liabilities	21,318	18,565	14,119	2,807	35,437	21,372
<b>Total liabilities</b>	<b>26,032</b>	<b>22,741</b>	<b>16,451</b>	<b>4,125</b>	<b>42,483</b>	<b>26,866</b>
<b>Deferred inflows of resources</b>	<b>14,110</b>	<b>14,419</b>	<b>222</b>	<b>315</b>	<b>14,332</b>	<b>14,734</b>
<b>Net Position:</b>						
Net investment in capital assets	70,826	71,886	16,512	16,650	87,338	88,536
Restricted	2,543	2,132	172	162	2,715	2,294
Unrestricted	14,017	10,633	15,985	15,559	30,002	26,192
<b>Total net position</b>	<b>\$ 87,386</b>	<b>\$ 84,651</b>	<b>\$ 32,669</b>	<b>\$ 32,371</b>	<b>\$ 120,055</b>	<b>\$ 117,022</b>

Net position may serve over time as a useful indicator of the town's financial position. The town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$120.1 million representing an increase of \$3.0 million from the prior year net position. About 25 percent of the town's net position is unrestricted and available to meet the town's ongoing obligations to citizens and creditors. The larger net position sub-component, labeled "Net investment in capital assets," reflects the town's investment in capital assets (e.g., land, infrastructure, buildings, improvements, machinery and equipment, intangible assets and construction in progress), net of accumulated depreciation and amortization and outstanding debt associated with acquisitions. The town uses its capital assets in providing services to its citizens; consequently, these assets are not readily available for future spending. Although the town's 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 would not likely be used to liquidate these liabilities.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Activities:**

The following table summarizes the changes in net position (Exhibit A-2) in comparative format:

**Table 2  
Summary of Changes in Net Position  
For the Fiscal Years Ended June 30  
(in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 5,138	\$ 4,572	\$ 9,465	\$ 9,275	\$ 14,603	\$ 13,847
Operating grants and contributions	1,865	1,951	-	-	1,865	1,951
Capital grants and contributions	2,658	2,766	-	-	2,658	2,766
<b>Total program revenues</b>	<b>9,661</b>	<b>9,289</b>	<b>9,465</b>	<b>9,275</b>	<b>19,126</b>	<b>18,564</b>
<b>General revenues:</b>						
General property taxes	11,691	11,416	-	-	11,691	11,416
Other local taxes	13,750	14,465	-	-	13,750	14,465
Use of money and property	1,356	689	369	133	1,725	822
Intergovernmental non-categorical aid	1,482	1,584	-	-	1,482	1,584
Miscellaneous	614	452	653	616	1,267	1,068
<b>Total general revenues</b>	<b>28,893</b>	<b>28,606</b>	<b>1,022</b>	<b>749</b>	<b>29,915</b>	<b>29,355</b>
<b>Total revenues</b>	<b>38,554</b>	<b>37,895</b>	<b>10,487</b>	<b>10,024</b>	<b>49,041</b>	<b>47,919</b>
<b>Expenses:</b>						
General government administration	5,942	6,046	-	-	5,942	6,046
Parks and recreation	5,281	4,880	-	-	5,281	4,880
Community development	1,897	1,700	-	-	1,897	1,700
Police	10,390	10,242	-	-	10,390	10,242
Public works	11,598	11,337	-	-	11,598	11,337
Interest	492	258	-	-	492	258
Water and sewer	-	-	8,090	6,999	8,090	6,999
Golf course	-	-	1,503	1,572	1,503	1,572
Chestnut Grove cemetery	-	-	704	669	704	669
Downtown parking	-	-	111	134	111	134
<b>Total expenses</b>	<b>35,600</b>	<b>34,463</b>	<b>10,408</b>	<b>9,374</b>	<b>46,008</b>	<b>43,837</b>
Change in net position before transfers	2,954	3,432	79	650	3,033	4,082
Transfers	(219)	(145)	219	145	-	-
<b>Change in net position</b>	<b>2,735</b>	<b>3,287</b>	<b>298</b>	<b>795</b>	<b>3,033</b>	<b>4,082</b>
Net position, July 1	84,651	81,364	32,371	31,576	117,022	112,940
<b>Net position, June 30</b>	<b>\$87,386</b>	<b>\$84,651</b>	<b>\$32,669</b>	<b>\$32,371</b>	<b>\$120,055</b>	<b>\$117,022</b>

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### **Statement of Activities: (Continued)**

#### **Governmental Activities**

During the current fiscal year, governmental-type activities increased the town's net position by \$2.7 million as revenues exceeded expenses and transfers.

Revenues: For the current fiscal year ended, revenues for governmental activities totaled \$38.6 million which is an increase of \$0.7 million or 1.7% from the prior fiscal year.

Charges for services increased by almost \$0.6 million or 12.4 percent from the prior fiscal year primarily due to building permit fees associated with significant commercial activity in the former K-Mart shopping plaza.

General property taxes, the town's single largest revenue source, increased by \$0.3 million from the prior fiscal year due to an increase in assessments of taxable real property. Calendar year 2018 (fiscal year 2019) taxable assessed value of real property within the town was \$4,440,313,264, an increase of 2.75 percent over the calendar year 2017 (fiscal year 2018) assessments. Residential property values increased by approximately three percent and commercial property values rose approximately two percent. The town's real estate tax rate remained at \$0.265 per \$100 of assessed value.

Other local taxes, the town's largest combined revenue source, decreased by \$0.7 million primarily due to lower business and professional and occupational license (BPOL) taxes. Transient occupancy, meals, and sales taxes grew modestly in fiscal year 2019, but these gains were partially offset by decreases in the remaining local tax category.

Use of money and property increased \$0.7 million compared to the prior year, since the June 30, 2019 fair value of the investment portfolio was higher than at June 30, 2018. Also, more interest income was earned during fiscal year 2019 due to higher average interest rates. The intergovernmental non-categorical aid decline of \$0.1 million was offset by the \$0.2 million increase in miscellaneous revenues compared to the prior year.

Expenses: For the current fiscal year ended June 30, 2019, expenses for governmental activities totaled \$36.0 million which is an increase of \$1.1 million or 3.3% from the prior fiscal year.

The Parks and Recreation department accounts for most of the increase as their expenses increased \$0.4 million from the prior year. Expenses for Public Works, Community Development and interest were each \$0.2 million higher than the prior year.

The town's three largest and highest priority programs (other than general government administration, which actually represents four functional areas) are police, public works and parks and recreation. These three programs comprise 77 percent of total governmental expenses.



**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Activities: (Continued)**

**Business-type Activities**

During the current fiscal year, business-type activities increased the town's net position by \$0.3 million as charges for services, miscellaneous revenues and transfers in exceeded total expenses. Both total revenues and total expenses increased from the prior fiscal year; revenues were \$0.5 million higher and expenses increased by \$1.0 million.

Charges for services revenue increased by \$0.2 million from the prior year primarily from the Water and Sewer Fund due to increased utility rates. The Chestnut Grove Cemetery and Golf Course Funds charges for services remained almost unchanged from the prior year. Use of money and property revenues were also up \$0.2 million from the prior year due to better performance in the investment portfolio.

The \$1.0 million increase in total expenses is primarily from higher expenses in the Water and Sewer Fund since all the other enterprise funds were relatively flat compared to the prior year. Sewer service charges were almost \$0.7 million higher than the prior year due to rainy weather during the fiscal year which significantly increase inflows and infiltration into the sewer system. Further, a one-time capital charge from Fairfax Water and an eight percent rate increase for wholesale water caused water main maintenance expenses to be \$0.3 million higher than the prior year.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

Governmental funds - The General Fund is the major governmental fund of the town. The town's other governmental funds are the Capital Projects Fund and two non-major governmental funds (1) Information Systems Improvement Fund, and (2) Chestnut Grove Cemetery Perpetual Care Fund. See Note 1 in the notes to financial statements section for more fund information.

The following table summarizes governmental fund balances (Exhibit A-3) in comparative format:

**Table 3  
Governmental Fund Analysis of Fund Balance  
As of June 30  
(in thousands)**

	General		Capital Projects		Non-Major Governmental		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Non-spendable	\$ 212	\$ 252	\$ 25	\$ 25	\$ -	\$ -	\$ 237	\$ 277
Restricted	-	310	4,339	459	1,735	1,673	6,074	2,442
Committed *	-	1,400	-	-	-	-	-	1,400
Assigned *	5,580	2,869	6,069	5,491	876	845	12,525	9,205
Unassigned	10,538	10,197	-	-	-	(207)	10,538	9,990
<b>Total fund balances</b>	<b>\$ 16,330</b>	<b>\$ 15,028</b>	<b>\$ 10,433</b>	<b>\$ 5,975</b>	<b>\$ 2,611</b>	<b>\$ 2,311</b>	<b>\$ 29,374</b>	<b>\$ 23,314</b>

\* The revenue stabilization fund was moved from Committed to Assigned fund balance in FY 2019.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

As of the end of the current fiscal year, the town's total ending governmental fund balance increased by \$6.1 million to \$29.4 million from the prior fiscal year. The main drivers of this increase were the town's General Fund and Capital Projects Fund total fund balance which increased \$1.3 and \$4.5 million, respectively, from the prior fiscal year. Unassigned general fund balance increased \$0.3 million as General Fund revenues exceeded expenditures and transfers out by \$1.3 million, offset by assignment of approximately \$1.0 million of the fund balance to the revenue stabilization, capital reserve, and contingency reserves. The unassigned general fund balance of \$10.5 million represents approximately 30 percent of the General Fund's expenditures (excluding transfers out) for fiscal year 2019.

The Capital Projects fund restricted fund balance increased \$3.9 million due to unspent proceeds from the issuance of general obligation bonds in fiscal year 2019. The bond proceeds are reflected in the increase in other financing sources. The fund's assigned fund balance increased \$0.6 million. During the year unrestricted revenues, transfers in, and insurance recoveries of approximately \$2.2 million exceeded capital outlays of \$1.6 million.

Non-Major Governmental fund balances increased \$0.3 million from the prior fiscal year. This increase is primarily attributable to a \$0.2 million transfer in from the general fund which was set aside in the assigned fund balance of the Information Systems Improvement Fund for future police radio equipment purchases.

Proprietary funds - The town's enterprise funds, which are a type of proprietary fund, provide the same type of information found in the government-wide financial statements for business-type activities, but in greater detail. Total net position increased by \$0.3 million from the prior year. Unrestricted net position for each of the four enterprise funds increased or (decreased) from the prior year as follows:

- |                                |   |
|--------------------------------|---|
| ➤ Water and Sewer Fund         | \$10.6 million to \$10.5 million (decrease) |
| ➤ Golf Course Fund             | \$0.38 million to \$0.42 million (increase) |
| ➤ Chestnut Grove Cemetery Fund | \$0.56 million to \$0.72 million (increase) |
| ➤ Downtown Parking Fund        | \$4.0 million to \$4.3 million (increase)   |

The combined operating loss for all the proprietary funds in fiscal year 2019 was \$0.5 million. The Chestnut Grove Cemetery and Downtown Parking Funds posted operating income while the other two proprietary funds experienced operating losses during fiscal year 2019 as shown on page one of Exhibit A-9. The Water and Sewer Fund operating loss of \$0.9 million is primarily attributable to higher than anticipated inflows and infiltration into the sewer system due to historic rain levels during the year. Availability fees and net investment earnings of \$0.7 million partially offset the Water and Sewer Fund's operating loss for a decrease of \$0.2 million in net position. Also, a one-time capital charge and an eight percent wholesale water rate increase from Fairfax Water contributed to the decrease in total net position.

The Chestnut Grove Cemetery Fund posted income from operations of \$0.3 million while expenses remained flat, resulting in an increase in net position of \$0.3 million. Net position decreased slightly in the Golf Fund as total operating expenses exceeded total operating revenues. Net non-operating revenues were insignificant. The Downtown Parking Fund's total net position increased \$0.2 million primarily due to the \$0.2 million transfer in from the General Fund. See Exhibits A-8 and A-9 for further details.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The following table summarizes General Fund budget to actual (Exhibit A-7) variances:

**Table 4  
General Fund Budget to Actual  
(in thousands)**

	Fiscal Year 2019			Over / (Under)
	Original Budget	Amended Budget	Actual	
Taxes	\$ 25,073	\$ 25,073	\$ 25,441	\$ 368
Intergovernmental	4,707	4,740	4,428	(312)
Other	5,398	5,398	6,296	898
<b>Total revenues</b>	<b>35,178</b>	<b>35,211</b>	<b>36,165</b>	<b>954</b>
Expenditures	35,191	36,737	34,207	(2,530)
Transfers out & other	687	550	656	106
<b>Total expenditures</b>	<b>35,878</b>	<b>37,287</b>	<b>34,863</b>	<b>(2,424)</b>
Change in fund balance	(700)	(2,076)	1,302	3,378
Fund balance, beginning	15,028	15,028	15,028	-
<b>Fund balance, ending</b>	<b>\$ 14,328</b>	<b>\$ 12,952</b>	<b>\$ 16,330</b>	<b>\$ 3,378</b>

The final amended budget appropriations, which include expenditures and transfers out, exceeded the original budget by \$1.4 million. During the fiscal year, the town enacted the first budget amendment for \$0.3 million plus \$0.7 million for carry-over appropriations for encumbrances outstanding at the end of the prior fiscal year. The town authorized a mid-year budget amendment of \$0.4 million for the police radios capital improvement project, police grant funded expenditures, and various Public Works expenditures for which some were funded by insurance recoveries.

At the conclusion of the fiscal year, total revenues were almost \$1.0 million more than the amended budget amounts while actual expenditures and transfers out were less than the amended budget amounts by \$2.4 million. Highlights of the comparison of amended budget to actual figures for the fiscal year ended June 30, 2019 include the following:

- Taxes exceeded budget by \$0.4 million which is primarily attributable to business and professional and occupational license (BPOL) taxes exceeding budget by \$0.3 million. However, it is important to note that BPOL taxes were \$0.8 million lower in fiscal year 2019 than in fiscal year 2018.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

---

#### GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- General property taxes and other local taxes (e.g., transient occupancy tax, motor vehicle registration tax, meals tax, bank stock tax, consumer utility tax, cigarette tax, and local sales tax) were within \$0.1 million of budget, with each tax having modest positive or negative variances.
- Intergovernmental revenues were \$0.3 million less than the amended budget because county stormwater grants are now accounted for in the Capital Projects Fund. The General Fund intergovernmental revenue budget was reduced in FY 2020 by \$0.3 million.
- The \$0.9 million surplus in other revenues is the result of greater than budgeted permit fees of \$0.5 million, use of money and property of \$0.3 million, and charges for services of \$0.1 million. Building permit fees increased as a result of the redevelopment of the former K-Mart shopping plaza. Use of money and property increased due to interest income being \$0.2 million higher than budget and due to an increase in the fair market value of the town's investment portfolio of \$0.1 million. Charges for services related to Parks and Recreation also exceeded budget.
- Total expenditures excluding transfers out and other financing uses were under budget by \$2.5 million. Expenditure amounts for all the operating departments were less than the amended budgets. Personnel costs including employee benefits were \$0.4 million favorable to budget which is mostly due to employee vacancy savings throughout the fiscal year. Debt service was \$0.4 million favorable to budget since the budget included \$0.4 million for future debt service which is not booked as an actual expenditure. Operating and maintenance expenditures and capital outlays were \$1.4 and \$0.3 million favorable to budget, respectively, of which \$1.0 million in encumbrances at the end of fiscal year 2019 were authorized for carryforward to fiscal year 2020.
- Transfers out and other financing sources were \$0.1 million over the amended budget since the issuance of bonds proceeds for the 2018B bond issue was less than budgeted.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

As of June 30, 2019, the town had invested approximately \$107.4 million in a variety of capital assets as reflected in the following table, which represents a net increase of \$3.8 million from the prior fiscal year. More detailed information on capital assets can be found in Note 6 of the notes to the financial statements.

**Table 5  
Summary of Capital Assets  
As of June 30  
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 24,709	\$ 24,709	\$ 3,506	\$ 3,506	\$ 28,215	\$ 28,215
Infrastructure	82,195	82,195	-	-	82,195	82,195
Buildings	42,001	41,732	3,552	3,545	45,553	45,277
Improvements other than buildings	17,528	14,834	35,260	34,790	52,788	49,624
Machinery and equipment	10,366	11,321	3,547	3,230	13,913	14,551
Intangibles and purchased capacity *	1,137	1,237	16,166	10,039	17,303	11,276
Furniture and fixtures	1,099	1,074	195	202	1,294	1,276
Construction in progress	2,451	4,080	476	84	2,927	4,164
Accumulated depreciation	(102,082)	(99,575)	(34,656)	(33,374)	(136,738)	(132,949)
<b>Total capital assets, net</b>	<b>\$ 79,404</b>	<b>\$ 81,607</b>	<b>\$ 28,046</b>	<b>\$ 22,022</b>	<b>\$ 107,450</b>	<b>\$ 103,629</b>

\* 2018 amounts have been restated to include purchased capacity.

The net increase in the town's capital asset investment is attributable to new investments of \$7.6 million exceeding the increase in accumulated depreciation of \$3.8 million. The new investments in capital assets, primarily in buildings, improvements other than buildings and intangibles, and purchased water capacity, increased by \$0.3 million, \$3.2 million, and \$6.0 million, respectively. These increases were offset by decreases in construction in progress and machinery and equipment of \$1.2 million and \$0.6 million, respectively.

Major capital assets transactions during the fiscal year in both governmental and business-type activities are as follows:

- The increase in the building's category was primarily from the completion of the Herndon Municipal Center emergency generator and Carroll Cabin restoration.
- In the improvements other than buildings category, the town completed phase II of the W&OD trail lighting from Ferndale to Crestview, Herndon Parkway and Sterling Road intersection improvements and downtown streetscape improvements phase II. The Water and Sewer Fund completed the Folly Lick sewer relining.
- New investments in machinery and equipment include four new police vehicles with related accessories, two new pickup trucks, and a brine solution dispenser. The Water and Sewer Fund purchased a new Vactor truck. The Golf Course Fund purchased a new Toro multi pro sprayer.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS (Continued)**

- The increase in the intangibles and purchase capacity was due to the Water and Sewer Fund’s \$6.1 million purchase of an additional one million gallons per day of water capacity for planned growth.
- The downtown undergrounding project, and several street and intersection projects were in progress. In the Water and Sewer fund, the Third Street Water Tank rehabilitation and SCADA system upgrade were in progress.

During the fiscal year, significant design and specifications, right-of-way acquisition and utility relocation efforts have progressed on critical capital projects such as vehicular and pedestrian access to the future Herndon Metro rail station; Herndon Parkway and Van Buren Street intersection improvements; Van Buren Complete Streets; Utility Undergrounding; Downtown Streetscapes; Elden and Monroe streets intersection improvement; and Elden and Center streets intersection improvements. More detailed information on future capital improvements can be found in the town’s adopted six-year Capital Improvement Program (CIP).

**LONG-TERM DEBT**

At the end of fiscal year 2019, the town had \$25.3 million in outstanding long-term general obligation bonds and premiums, as reflected in the following table. This represents an increase of \$9.8 million from the prior fiscal year, driven mainly by the issuance of \$11.1million in general obligation bonds which was partially offset by debt service payments during the normal course of business.

As of the end of fiscal year 2019, the town’s issuer rating from the three credit ratings agencies remained unchanged at AAA from Fitch Investor Service, Aaa from Moody’s Investor Service, Inc., and AAA from Standard and Poor’s Corporation. More detailed information on long-term debt can be found in Note 8 of the notes to the financial statements.

**Table 6  
Summary of General Obligation Bonds and Notes Payable  
As of June 30  
(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General obligation (GO) bonds	\$ 12,182	\$ 9,966	\$ 9,055	\$ 1,747	\$ 21,237	\$ 11,713
Fairfax Water obligations *	-	-	3,682	3,682	3,682	3,682
GO bonds - premiums	173	66	298	25	471	91
<b>Total long-term outstanding debt</b>	<b>\$ 12,355</b>	<b>\$ 10,032</b>	<b>\$ 13,035</b>	<b>\$ 5,454</b>	<b>\$ 25,390</b>	<b>\$ 15,486</b>

\* 2018 amounts have been restated to include purchased capacity obligations.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The total adopted fiscal year 2020 budget (all funds), including inter-fund transfers, is \$53.7 million which is about 10.8 percent less than the original budget for fiscal year 2019. This decrease is the result of reductions in capital expenses in the CIP and Water and Sewer fund in FY 2020. General Fund expenditures total \$37.3 million which is about 2.9 percent greater than the original budget for fiscal year 2019.

As noted earlier, the town's revenues from taxes performed as expected compared to budget in fiscal year 2019. The town budgets BPOL very conservatively and treats receipts in excess of budget as one-time revenues. The approved fiscal year 2020 budget reflects an increase of nearly 4.6 percent in assessed property tax values and maintains the town's real estate tax rate of \$0.265 per \$100 of assessed value. The FY 2020 budget also includes a 1.25 percent increase the meals tax, from 2.5 percent to 3.75 percent. This increase is projected to offset the decrease in BPOL taxes. All other excise taxes are maintained at their current rates.

The September 2019 unemployment rate in Fairfax County (which includes the Town of Herndon) was 2.0 percent compared to 2.7 percent in June 2018. In comparison, the Commonwealth of Virginia unemployment rate was 2.7 percent, and the U.S. unemployment was 3.5 percent in September 2019 according to the Bureau of Labor Statistics.

### CURRENTLY KNOWN FACTS EXPECTED TO AFFECT FINANCIAL POSITION

Following months of review and significant input from the public, in the fall of 2017 the Herndon Town Council adopted a resolution to enter into a comprehensive agreement with Comstock Partners for the redevelopment of 4.675 acres in Herndon's downtown. The town's additional financial obligations include \$3.6 million in payments to Comstock Partners during the construction phase of the project, and between \$2.5 and \$3.5 million for the design and construction of the Arts Center component of the project. These financial obligations will likely be funded through a combination of debt financing and cash. Ground breaking is anticipated to begin during calendar year 2020. More detailed information about the downtown redevelopment project can be found in the comprehensive agreement on the town's website.

### CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the town's finances and to demonstrate the town's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, Town of Herndon, Department of Finance, 777 Lynn St., Herndon, VA 20170. The telephone number is (703) 435-6810 or visit the town's web site at [www.herndon-va.gov](http://www.herndon-va.gov).

THIS PAGE INTENTIONALLY LEFT BLANK





[www.herndon-va.gov](http://www.herndon-va.gov)

## **BASIC FINANCIAL STATEMENTS**

THIS PAGE INTENTIONALLY LEFT BLANK

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-1**

**STATEMENT OF NET POSITION**  
**June 30, 2019**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and investments (Note 2)	\$ 25,717,812	\$ 14,304,575	\$ 40,022,387
Cash and investments with fiscal agent (Note 2)	3,604,617	-	3,604,617
Receivables, net:			
Property taxes (Note 3)	12,048,209	-	12,048,209
Trade and other accounts (Note 3)	711,739	1,682,200	2,393,939
Accrued interest	87,606	42,187	129,793
Due from other governments (Note 3)	1,057,781	-	1,057,781
Inventories	178,211	24,269	202,480
Prepaid costs	58,299	880	59,179
Cash, cash equivalents and investments - restricted (Note 2)	2,526,619	1,429,156	3,955,775
Notes receivable (Note 5)	-	59,288	59,288
Land held for sale	-	3,469,456	3,469,456
Capital assets: (Note 6)			
Nondepreciable	27,160,390	3,982,585	31,142,975
Depreciable, net	<u>52,243,529</u>	<u>24,063,706</u>	<u>76,307,235</u>
Total assets	<u>125,394,812</u>	<u>49,058,302</u>	<u>174,453,114</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	71,257	71,257
Deferred outflows related to pensions (Notes 9 and 13)	1,023,449	101,274	1,124,723
Deferred outflows related to other postemployment benefits (Notes 11, 12, and 13)	<u>1,109,397</u>	<u>111,962</u>	<u>1,221,359</u>
Total deferred outflows of resources	<u>2,132,846</u>	<u>284,493</u>	<u>2,417,339</u>
<b>LIABILITIES</b>			
Accounts payable	1,060,165	1,982,169	3,042,334
Accrued payroll	298,188	58,620	356,808
Accrued liabilities - other	690,768	22,931	713,699
Accrued interest	145,547	23,060	168,607
Unearned revenue (Note 7)	176,941	41,191	218,132
Customer deposits	2,342,917	204,267	2,547,184
Noncurrent liabilities:			
Due within one year (Note 8)	2,033,009	584,195	2,617,204
Due in more than one year (Note 8)	12,565,282	12,747,081	25,312,363
Net pension liability (Notes 9 and 13)	1,472,714	89,798	1,562,512
Net other postemployment benefit liability (Notes 11, 12, and 13)	<u>5,246,554</u>	<u>698,180</u>	<u>5,944,734</u>
Total liabilities	<u>26,032,085</u>	<u>16,451,492</u>	<u>42,483,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Notes 9 and 13)	1,963,163	202,937	2,166,100
Deferred inflows related to other postemployment benefits (Notes 11, 12, and 13)	185,230	19,070	204,300
Property taxes (Note 7)	<u>11,961,405</u>	<u>-</u>	<u>11,961,405</u>
Total deferred inflows of resources	<u>14,109,798</u>	<u>222,007</u>	<u>14,331,805</u>
<b>NET POSITION</b>			
Net investment in capital assets	70,826,382	16,512,129	87,338,511
Restricted:			
Lateral program	-	172,116	172,116
Capital projects	807,507	-	807,507
Cemetery Perpetual Care Fund - expendable	1,735,201	-	1,735,201
Unrestricted	<u>14,016,685</u>	<u>15,985,051</u>	<u>30,001,736</u>
Total net position	<u>\$ 87,385,775</u>	<u>\$ 32,669,296</u>	<u>\$ 120,055,071</u>

The Notes to Financial Statements are an integral part of this Statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental activities:</b>							
Legislative	\$ 734,671	\$ -	\$ -	\$ -	\$ (734,671)		\$ (734,671)
Administration	3,093,764	6,892	-	-	(3,086,872)		(3,086,872)
Town attorney	612,349	-	-	-	(612,349)		(612,349)
Parks and recreation	5,280,626	2,873,136	-	-	(2,407,490)		(2,407,490)
Finance	1,501,718	588,333	-	-	(913,385)		(913,385)
Community development	1,896,791	-	40,000	-	(1,856,791)		(1,856,791)
Police	10,390,551	460,288	745,352	-	(9,184,911)		(9,184,911)
Public works	11,598,171	1,208,825	1,080,054	2,658,343	(6,650,949)		(6,650,949)
Interest	491,896	-	-	-	(491,896)		(491,896)
<b>Total governmental activities</b>	<b>35,600,537</b>	<b>5,137,474</b>	<b>1,865,406</b>	<b>2,658,343</b>	<b>(25,939,314)</b>		<b>(25,939,314)</b>
<b>Business-type activities:</b>							
Water and sewer	8,090,566	7,170,706	-	-		\$ (919,860)	(919,860)
Golf course	1,503,005	1,389,986	-	-		(113,019)	(113,019)
Chestnut Grove cemetery	703,935	905,155	-	-		201,220	201,220
Downtown parking	110,788	-	-	-		(110,788)	(110,788)
<b>Total business-type activities</b>	<b>10,408,294</b>	<b>9,465,847</b>	<b>-</b>	<b>-</b>		<b>(942,447)</b>	<b>(942,447)</b>
<b>Total government</b>	<b>\$ 46,008,831</b>	<b>\$ 14,603,321</b>	<b>\$ 1,865,406</b>	<b>\$ 2,658,343</b>	<b>(25,939,314)</b>	<b>(942,447)</b>	<b>(26,881,761)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
General property					11,690,750	-	11,690,750
Business licenses					4,930,755	-	4,930,755
Transient occupancy					2,345,943	-	2,345,943
Meals					2,308,551	-	2,308,551
Local sales					1,871,909	-	1,871,909
Consumer utility					798,265	-	798,265
Other local taxes					1,494,918	-	1,494,918
Revenues not restricted to specific programs					66,330	-	66,330
Intergovernmental, non-categorical aid					1,482,539	-	1,482,539
Use of money and property					1,355,800	369,224	1,725,024
Gain on sale of capital assets					65,954	12,904	78,858
Miscellaneous and lease income					481,258	639,807	1,121,065
Transfers					(218,825)	218,825	-
<b>Total general revenues and transfers</b>					<b>28,674,147</b>	<b>1,240,760</b>	<b>29,914,907</b>
Change in net position					2,734,833	298,313	3,033,146
Net position, July 1					84,650,942	32,370,983	117,021,925
Net position, June 30					<b>\$ 87,385,775</b>	<b>\$ 32,669,296</b>	<b>\$ 120,055,071</b>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-3  
Page 1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 18,969,365	\$ 5,796,160	\$ 952,287	\$ 25,717,812
Cash and investments with fiscal agent	238	3,604,379	-	3,604,617
Receivables (net of allowance for doubtful accounts):				
Property taxes	12,048,209	-	-	12,048,209
Trade and other accounts	711,739	-	-	711,739
Accrued interest	67,405	4,112	16,089	87,606
Due from other governments	677,627	380,154	-	1,057,781
Inventories	178,211	-	-	178,211
Prepaid costs	33,299	25,000	-	58,299
Cash, cash equivalents and investments - restricted	<u>-</u>	<u>807,507</u>	<u>1,719,112</u>	<u>2,526,619</u>
<b>Total assets</b>	<b><u>\$ 32,686,093</u></b>	<b><u>\$ 10,617,312</u></b>	<b><u>\$ 2,687,488</u></b>	<b><u>\$ 45,990,893</u></b>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-3  
Page 2

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 801,225	\$ 181,866	\$ 77,074	\$ 1,060,165
Accrued payroll	298,188	-	-	298,188
Accrued liabilities - other	688,299	2,469	-	690,768
Unearned revenue	176,941	-	-	176,941
Customer deposits	2,342,917	-	-	2,342,917
Total liabilities	<u>4,307,570</u>	<u>184,335</u>	<u>77,074</u>	<u>4,568,979</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>12,048,209</u>	<u>-</u>	<u>-</u>	<u>12,048,209</u>
Total deferred inflows of resources	<u>12,048,209</u>	<u>-</u>	<u>-</u>	<u>12,048,209</u>
Fund Balances:				
Nonspendable:				
Inventories	178,211	-	-	178,211
Prepaid costs	33,299	25,000	-	58,299
Restricted:				
Bond proceeds not yet spent	-	3,531,231	-	3,531,231
Cemetery perpetual care	-	-	1,735,201	1,735,201
Stormwater grant	-	698,507	-	698,507
Brownfields grant	-	109,000	-	109,000
Assigned:				
Operating & capital costs	1,255,602	-	4,830	1,260,432
Capital reserve	1,477,536	-	840,000	2,317,536
Contingency reserve	900,000	-	-	900,000
Revenue stabilization	1,800,000	-	-	1,800,000
Subsequent years' expenditures for:				
General Fund	147,996	-	-	147,996
Capital Projects Fund	-	6,069,239	30,383	6,099,622
Unassigned:				
General Fund	<u>10,537,670</u>	<u>-</u>	<u>-</u>	<u>10,537,670</u>
Total fund balances	<u>16,330,314</u>	<u>10,432,977</u>	<u>2,610,414</u>	<u>29,373,705</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,686,093</u>	<u>\$ 10,617,312</u>	<u>\$ 2,687,488</u>	<u>\$ 45,990,893</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-4**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2019**

---

Total Fund Balances - Governmental Funds		\$ 29,373,705
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.</p>		79,403,919
<p>Unavailable revenue represents amounts that were not available to fund current expenditures, and, therefore, is not reported as revenue in the governmental funds.</p>		86,804
<p>Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows related to:		
Pensions	\$ 1,023,449	
Other postemployment benefits	1,109,397	2,132,846
Deferred inflows related to:		
Pensions	(1,963,163)	
Other postemployment benefits	(185,230)	(2,148,393)
Net pension liability		(1,472,714)
Net other post employment benefits liability		(5,246,554)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
Bonds payable, including unamortized premiums and discounts	(12,354,914)	
Compensated absences	(2,243,377)	
Interest payable	(145,547)	(14,743,838)
Net position of governmental activities		\$ 87,385,775

The Notes to Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 11,691,186	\$ -	\$ -	\$ 11,691,186
Other local taxes	13,750,341	-	-	13,750,341
Permits, privilege fees and regulatory licenses	1,057,412	-	-	1,057,412
Fines and forfeitures	485,008	-	-	485,008
Use of money and property	1,060,019	214,840	80,941	1,355,800
Charges for services	3,662,069	-	-	3,662,069
Miscellaneous	31,720	226,353	-	258,073
Intergovernmental	4,427,998	1,578,289	-	6,006,287
<b>Total revenues</b>	<b>36,165,753</b>	<b>2,019,482</b>	<b>80,941</b>	<b>38,266,176</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	713,209	-	-	713,209
Administration	3,006,360	-	-	3,006,360
Town attorney	471,179	-	-	471,179
Parks and recreation	4,675,180	-	-	4,675,180
Finance	1,532,617	-	-	1,532,617
Community development	1,947,330	-	-	1,947,330
Police	10,222,766	-	-	10,222,766
Public works	9,767,767	-	-	9,767,767
Grants	69,523	-	-	69,523
Capital outlay	-	1,650,677	104,512	1,755,189
<b>Debt service:</b>				
Principal	1,344,287	-	-	1,344,287
Interest and fiscal charges	457,264	-	-	457,264
<b>Total expenditures</b>	<b>34,207,482</b>	<b>1,650,677</b>	<b>104,512</b>	<b>35,962,671</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,958,271</b>	<b>368,805</b>	<b>(23,571)</b>	<b>2,303,505</b>

(Continued)

The Notes to Financial Statements are an integral part of this statement.



TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 65,954	\$ -	\$ -	\$ 65,954
Issuance of bonds	155,035	3,404,965	-	3,560,000
Premiums on issuance of bonds	-	126,266	-	126,266
Insurance recoveries	104,190	118,311	-	222,501
Transfers in	-	440,000	387,525	827,525
Transfers out	(981,498)	-	(64,852)	(1,046,350)
Total other financing sources (uses), net	(656,319)	4,089,542	322,673	3,755,896
Net change in fund balances	1,301,952	4,458,347	299,102	6,059,401
Fund balances, July 1	15,028,362	5,974,630	2,311,312	23,314,304
Fund balances, June 30	\$ 16,330,314	\$ 10,432,977	\$ 2,610,414	\$ 29,373,705

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

Net change in fund balances - total governmental funds		\$ 6,059,401
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.</p>		
Expenditure for capital assets	\$ 1,678,206	
Less depreciation and amortization expense	<u>(3,764,758)</u>	
Excess of capital outlay over depreciation and amortization		(2,086,552)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position:</p>		
Loss on disposal of capital assets		(116,750)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue		(436)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Issuance of bonds		(3,560,000)
Premium on issuance of bonds		(126,266)
Principal repayments:		
General obligation debt and notes payable		1,344,287
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Employer pension contributions		1,023,449
Pension expense		507,123
<p>Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.</p>		
Employer other postemployment benefit contributions		1,109,397
Other postemployment benefit expense		(1,393,584)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest	(53,336)	
Compensated absences	9,396	
Amortization of premiums and discounts	<u>18,704</u>	
		<u>(25,236)</u>
Change in net position of governmental activities		<u>\$ 2,734,833</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-7  
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 11,739,701	\$ 11,739,701	\$ 11,691,186	\$ (48,515)
Other local taxes	13,333,714	13,333,714	13,750,341	416,627
Permits, privilege fees and regulatory licenses	539,663	539,663	1,057,412	517,749
Fines and forfeitures	460,000	460,000	485,008	25,008
Use of money and property	789,500	789,500	1,060,019	270,519
Charges for services	3,572,033	3,572,033	3,662,069	90,036
Miscellaneous	36,500	36,500	31,720	(4,780)
Intergovernmental	4,706,716	4,739,916	4,427,998	(311,918)
<b>Total revenues</b>	<b>35,177,827</b>	<b>35,211,027</b>	<b>36,165,753</b>	<b>954,726</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	721,257	721,257	713,209	8,048
Administration	3,142,977	3,257,276	3,006,360	250,916
Town attorney	526,860	526,860	471,179	55,681
Parks and recreation	4,768,401	4,828,961	4,675,180	153,781
Finance	1,639,165	1,647,885	1,532,617	115,268
Community development	1,902,329	2,196,984	1,947,330	249,654
Police	10,155,437	10,271,838	10,222,766	49,072
Public works	10,091,640	11,032,269	9,767,767	1,264,502
Grants, contingency	34,000	44,681	69,523	(24,842)
<b>Debt service:</b>				
Principal	1,865,608	1,865,608	1,344,287	521,321
Interest and fiscal charges	343,557	343,557	457,264	(113,707)
<b>Total expenditures</b>	<b>35,191,231</b>	<b>36,737,176</b>	<b>34,207,482</b>	<b>2,529,694</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(13,404)</b>	<b>(1,526,149)</b>	<b>1,958,271</b>	<b>3,484,420</b>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-7  
Page 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 27,860	\$ 27,860	\$ 65,954	\$ 38,094
Issuance of bonds	310,000	310,000	155,035	(154,965)
Insurance recoveries	-	97,182	104,190	7,008
Transfers out	<u>(1,025,000)</u>	<u>(985,000)</u>	<u>(981,498)</u>	<u>3,502</u>
Total other financing uses, net	<u>(687,140)</u>	<u>(549,958)</u>	<u>(656,319)</u>	<u>(106,361)</u>
Net change in fund balance	<u>\$ (700,544)</u>	<u>\$ (2,076,107)</u>	<u>\$ 1,301,952</u>	<u>\$ 3,378,059</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-8

Page 1

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 June 30, 2019

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and investments	\$ 11,749,474	\$ 895,878	\$ 878,038	\$ 781,185	\$ 14,304,575
Receivables (net of allowance for doubtful accounts):	1,676,236	3,000	-	2,964	1,682,200
Accrued interest	20,527	7,676	-	13,984	42,187
Inventories	7,966	16,303	-	-	24,269
Prepaid costs	-	880	-	-	880
Cash, cash equivalents and investments - restricted	443,024	-	-	986,132	1,429,156
Current notes receivable (net of allowance for doubtful accounts)	-	-	-	11,858	11,858
<b>Total current assets</b>	<b>13,897,227</b>	<b>923,737</b>	<b>878,038</b>	<b>1,796,123</b>	<b>17,495,125</b>
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	47,430	47,430
Land held for sale	-	-	-	3,469,456	3,469,456
Capital assets:					
Land	200,000	1,621,574	718,500	966,109	3,506,183
Buildings	-	2,240,527	1,311,437	-	3,551,964
Improvements other than buildings	30,090,532	3,157,597	1,551,842	460,045	35,260,016
Machinery and equipment	2,515,531	870,070	161,672	-	3,547,273
Furniture and fixtures	194,919	-	-	-	194,919
Intangibles	16,166,154	-	-	-	16,166,154
Construction in progress	476,402	-	-	-	476,402
Less accumulated depreciation and amortization	(27,586,956)	(4,983,903)	(1,625,716)	(460,045)	(34,656,620)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>22,056,582</b>	<b>2,905,865</b>	<b>2,117,735</b>	<b>966,109</b>	<b>28,046,291</b>
<b>Total noncurrent assets</b>	<b>22,056,582</b>	<b>2,905,865</b>	<b>2,117,735</b>	<b>4,482,995</b>	<b>31,563,177</b>
<b>Total assets</b>	<b>35,953,809</b>	<b>3,829,602</b>	<b>2,995,773</b>	<b>6,279,118</b>	<b>49,058,302</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	-	-	71,257	-	71,257
Pension related deferred outflows	47,129	37,415	16,730	-	101,274
OPEB related deferred outflows	49,295	46,643	16,024	-	111,962
<b>Total deferred outflows of resources</b>	<b>96,424</b>	<b>84,058</b>	<b>104,011</b>	<b>-</b>	<b>284,493</b>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-8  
Page 2

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2019

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 1,975,946	\$ 5,627	\$ 596	\$ -	\$ 1,982,169
Accrued payroll	25,743	23,602	9,275	-	58,620
Accrued liabilities - other	11,101	10,231	10,044	14,615	45,991
Unearned revenue	-	-	-	-	-
Compensated absences	22,936	15,719	3,967	-	42,622
Unearned revenue	41,191	-	-	-	41,191
Customer deposits	204,267	-	-	-	204,267
Current general bonds payable and other obligations	262,569	112,493	161,511	5,000	541,573
Total current liabilities	2,543,753	167,672	185,393	19,615	2,916,433
Noncurrent Liabilities:					
Compensated absences	88,878	149,332	15,869	-	254,079
Net pension liability	13,705	53,916	22,177	-	89,798
Net other post employment benefit liability	348,826	249,595	99,759	-	698,180
Long-term general bonds payable and other obligations, net	10,266,191	406,484	817,392	1,002,935	12,493,002
Total noncurrent liabilities	10,717,600	859,327	955,197	1,002,935	13,535,059
Total liabilities	13,261,353	1,026,999	1,140,590	1,022,550	16,451,492
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	98,268	75,640	29,029	-	202,937
OPEB related deferred inflows	8,939	7,404	2,727	-	19,070
Total deferred inflows of resources	107,207	83,044	31,756	-	222,007
<b>NET POSITION</b>					
Net Position:					
Net investment in capital assets	11,970,846	2,386,888	1,210,089	944,306	16,512,129
Restricted, lateral program	172,116	-	-	-	172,116
Unrestricted	10,538,711	416,729	717,349	4,312,262	15,985,051
Total net position	\$ 22,681,673	\$ 2,803,617	\$ 1,927,438	\$ 5,256,568	\$ 32,669,296

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-9**

**Page 1**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Operating revenues:					
Sale of water	\$ 2,884,971	\$ -	\$ -	\$ -	\$ 2,884,971
Sewer service charges	3,554,644	-	-	-	3,554,644
Late payment charges	64,401	-	-	-	64,401
Sale of commodities	17,042	-	-	-	17,042
Rents and leases	373,451	40,533	-	-	413,984
Greens fees	-	960,271	-	-	960,271
Golf cart revenue	-	282,505	-	-	282,505
Golf pro shop sales	-	66,738	-	-	66,738
Driving range fees	-	80,472	-	-	80,472
Cemetery sites	-	-	460,270	-	460,270
Interment services	-	-	220,460	-	220,460
Merchandise sales	-	-	224,425	-	224,425
Miscellaneous	28,311	18,553	60,405	118,554	225,823
	<u>6,922,820</u>	<u>1,449,072</u>	<u>965,560</u>	<u>118,554</u>	<u>9,456,006</u>
Total operating revenues					
Operating expenses:					
Finance	245,994	-	-	-	245,994
Water main maintenance	2,161,809	-	-	-	2,161,809
Sewer service charge	3,853,917	-	-	-	3,853,917
Contractual services	535,497	-	-	-	535,497
Golf course operations	-	663,390	-	-	663,390
Golf course club house	-	525,273	-	-	525,273
Cemetery operations	-	-	530,064	-	530,064
Downtown parking	-	-	-	33,697	33,697
Nondepartmental:					
Depreciation and amortization	973,888	237,689	117,921	4,307	1,333,805
Miscellaneous	33,277	55,587	22,722	-	111,586
	<u>7,804,382</u>	<u>1,481,939</u>	<u>670,707</u>	<u>38,004</u>	<u>9,995,032</u>
Total operating expenses					
Operating income (loss)	<u>(881,562)</u>	<u>(32,867)</u>	<u>294,853</u>	<u>80,550</u>	<u>(539,026)</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-9  
Page 2**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Nonoperating revenues (expenses):					
Investment earnings, net	\$ 298,486	\$ 23,897	\$ 17,303	\$ 29,538	\$ 369,224
Interest expense	-	(21,066)	(33,228)	-	(54,294)
Bond issuance costs	(286,184)	-	-	(43,359)	(329,543)
Gain (loss) on disposal of capital assets	11,115	-	1,789	(29,425)	(16,521)
<b>Total nonoperating revenues (expenses), net</b>	<u>23,417</u>	<u>2,831</u>	<u>(14,136)</u>	<u>(43,246)</u>	<u>(31,134)</u>
<b>Income (loss) before availability fees and transfers</b>	(858,145)	(30,036)	280,717	37,304	(570,160)
Availability fees	649,648	-	-	-	649,648
Transfers in	-	-	64,852	200,000	264,852
Transfers out	-	-	(46,027)	-	(46,027)
<b>Total availability fees and transfers</b>	649,648	-	18,825	200,000	868,473
<b>Change in net position</b>	(208,497)	(30,036)	299,542	237,304	298,313
<b>Total net position, July 1</b>	<u>22,890,170</u>	<u>2,833,653</u>	<u>1,627,896</u>	<u>5,019,264</u>	<u>32,370,983</u>
<b>Total net position, June 30</b>	<u>\$ 22,681,673</u>	<u>\$ 2,803,617</u>	<u>\$ 1,927,438</u>	<u>\$ 5,256,568</u>	<u>\$ 32,669,296</u>

The Notes to Financial Statements are an integral part of this statement.



TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 1

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Operating Activities:					
Receipts from customers	\$ 6,848,233	\$ 1,449,072	\$ 965,560	\$ 115,590	\$ 9,378,455
Payments to suppliers for goods and services	(5,138,558)	(402,764)	(201,391)	(19,474)	(5,762,187)
Payments to employees for services	(1,033,093)	(885,487)	(375,639)	-	(2,294,219)
<b>Net cash provided by operating activities</b>	<u>676,582</u>	<u>160,821</u>	<u>388,530</u>	<u>96,116</u>	<u>1,322,049</u>
Noncapital Financing Activities:					
Transfers in from other funds	-	-	64,852	200,000	264,852
Transfers out to other funds	-	-	(46,027)	-	(46,027)
<b>Net cash provided by noncapital financing activities</b>	<u>-</u>	<u>-</u>	<u>18,825</u>	<u>200,000</u>	<u>218,825</u>
Capital and Related Financing Activities:					
Availability fees	649,648	-	-	-	649,648
Acquisition and construction of capital assets	(6,951,897)	(47,357)	(111,526)	-	(7,110,780)
Proceeds from the sale of capital assets	11,115	-	1,789	(29,425)	(16,521)
Issuance of bonds	6,846,885	-	-	1,007,934	7,854,819
Bond issuance costs	(286,184)	-	-	(43,359)	(329,543)
Principal paid on bonds	-	(108,767)	(157,946)	-	(266,713)
Interest paid on bonds	-	(22,602)	(24,947)	-	(47,549)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>269,567</u>	<u>(178,726)</u>	<u>(292,630)</u>	<u>935,150</u>	<u>733,361</u>
Investing Activities:					
Principal received on note receivable	-	-	-	11,858	11,858
Interest received on note receivable	-	-	-	2,797	2,797
Interest received on investment securities	299,542	19,080	14,947	29,538	363,107
<b>Net cash provided by investing activities</b>	<u>299,542</u>	<u>19,080</u>	<u>14,947</u>	<u>44,193</u>	<u>377,762</u>
<b>Net increase in cash, cash equivalents and investments</b>	1,245,691	1,175	129,672	1,275,459	2,651,997
Cash, Cash Equivalents and Investments:					
Beginning	10,946,807	894,703	748,366	491,858	13,081,734
Ending	<u>\$ 12,192,498</u>	<u>\$ 895,878</u>	<u>\$ 878,038</u>	<u>\$ 1,767,317</u>	<u>\$ 15,733,731</u>
<b>Cash, Cash Equivalents and Investments is comprised of the following:</b>					
Cash, cash equivalents and investments - unrestricted	\$ 11,749,474	\$ 895,878	\$ 878,038	\$ 781,185	\$ 14,304,575
Cash, cash equivalents and investments - restricted	443,024	-	-	986,132	1,429,156
<b>Total</b>	<u>\$ 12,192,498</u>	<u>\$ 895,878</u>	<u>\$ 878,038</u>	<u>\$ 1,767,317</u>	<u>\$ 15,733,731</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 2

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (881,562)	\$ (32,867)	\$ 294,853	\$ 80,550	\$ (539,026)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	973,888	237,689	117,921	4,307	1,333,805
Pension expense net of employer contributions	(72,512)	(56,954)	(24,228)	-	(153,694)
Other postemployment benefit expense net of employer contributions	14,257	11,983	3,663	-	29,903
Other nonoperating expenses	-	(5,536)	-	-	(5,536)
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	(122,242)	-	-	11,651	(110,591)
Inventories	1,003	5,617	-	-	6,620
Prepaid costs and other assets	-	(880)	-	-	(880)
Increase (decrease) in:					
Accounts payable, accrued liabilities and compensated absences	717,293	1,769	(3,679)	(392)	714,991
Deposits	46,457	-	-	-	46,457
Net cash provided by operating activities	<u>\$ 676,582</u>	<u>\$ 160,821</u>	<u>\$ 388,530</u>	<u>\$ 96,116</u>	<u>\$ 1,322,049</u>
<b>Schedule of Noncash Capital and Related Financing Activities:</b>					
Capital assets acquired through accounts payable	<u>\$ 241,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,852</u>

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 June 30, 2019  
 (With Comparative Amounts for 2018)

	<u>Pension Trust Fund</u> Police Supplemental Retirement Pension Trust Fund <u>2019</u> <u>2018</u>	
<b>ASSETS</b>		
Mutual funds	\$ 4,149,503	\$ 3,999,647
Accounts Receivable	<u>-</u>	<u>7,881</u>
Total assets	<u>4,149,503</u>	<u>4,007,528</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ 4,149,503</u>	<u>\$ 4,007,528</u>

TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 Year Ended June 30, 2019  
 (With Comparative Amounts for 2018)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2019	2018
Additions:		
Employer contributions	\$ 201,991	\$ 194,479
Rollovers from prior employers	<u>-</u>	<u>631</u>
Total contributions	201,991	195,110
Investment income:		
Net increase in the fair market value of investments	<u>238,635</u>	<u>322,503</u>
Total additions, net	<u>440,626</u>	<u>517,613</u>
Deductions:		
Benefit payments	<u>298,651</u>	<u>269,328</u>
Change in net position	141,975	248,285
Net position, July 1	<u>4,007,528</u>	<u>3,759,243</u>
Net position, June 30	<u>\$ 4,149,503</u>	<u>\$ 4,007,528</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. The Financial Reporting Entity**

The Town of Herndon, Virginia (the “town”), located in the County of Fairfax, Virginia, was incorporated in 1879 under the provisions of the constitution and general statutes of the Commonwealth of Virginia.

The town is governed under the Town Manager-Council form of government. The town engages in a comprehensive range of municipal services, including general government administration; public safety and administration of justice; refuse collection; street and sidewalk maintenance; street lighting; zoning enforcement; education, health, welfare, and human service programs; planning, community development and recreation; and cultural and historic activities. Other municipal services including public education; technical and special education services; health and social services; mental health assistance; fire and ambulance services; judicial services; correctional facilities; and additional recreation services and facilities are provided by the County of Fairfax, Virginia. As required by GAAP, these financial statements present the town’s financial position. The town does not have any component units, entities for which the town is considered to be financially accountable or blended component units, legally separate entities which are in substance part of the town’s operations.

**B. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements:*

The Statement of Net Position and the Statement of Activities display information about the town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the government and business-type activities of the town. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. *Business-type activities* are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the town and for each function of the town’s governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

*Fund Financial Statements:*

The fund financial statements provide information about the town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, of which each is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each part receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

Operating expenses include cost of services, administrative expenses, and depreciation and amortization on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements:* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fiduciary funds account for assets held by the town in a trustee capacity or as agent or custodian for individuals and utilize the accrual basis of accounting. These funds include the Police Supplemental Retirement Pension Trust fund which is reported using the economic resources measurement focus.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
**(Continued)**

*Governmental Fund Financial Statements:* Governmental funds are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The town considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within the town's availability period, which is 45 days. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The town reports the following major governmental funds:

The *General Fund* is the general operating fund of the town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for all financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or the Information Systems Improvement Fund.

The town reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for services to the general public, which are financed primarily by charges to users of those services.

The *Golf Course Fund* accounts for the operation and maintenance of the golf course.

The *Chestnut Grove Cemetery Fund* accounts for operations of the cemetery.

The *Downtown Parking Fund* accounts for the operation and maintenance of the town's Downtown Public Shared Parking Program.

Additionally, the town reports the *Police Supplemental Retirement Trust Fund*. The purpose of this fund is to provide retirement benefits in addition to the benefits provided by the Virginia Retirement System and Social Security. The town has contracted with various financial institutions and insurance carriers to provide fiscal agent services including the accounting, investment, and disbursement services related to this fund.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting**

The *Code of Virginia* makes a clear distinction between budgets and appropriations. Budgets are for informational and fiscal planning purposes, whereas appropriations are authorizations to incur expenditures.

Prior to April 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. Annual budgets for the General Fund, and the enterprise funds are adopted at the department level. Capital projects are budgeted on a project basis. The operating and capital budgets include proposed expenditures and the means of financing them. A brief synopsis of the proposed budget is published at least once in a newspaper with general circulation within the town. Additionally, notice is given of one or more public hearings at least ten days prior to the public hearing. The public hearing provides any citizen the opportunity to comment on the budget.

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. This resolution appropriates all budgeted amounts. The Appropriations Resolution places legal restrictions on expenditures for each department or category level. The Town Manager is authorized to transfer budgeted amounts of up to \$30,000. Transfers exceeding \$30,000 must be authorized by the Town Council. All increases or decreases to the approved budget must be approved by the Town Council before being made. During the year, the Town Council approves additional appropriations, as needed, in the form of Budget Amendments. During the year ended June 30, 2019, budget revisions to the general fund were made, which resulted in a \$1,545,945 increase in budgeted expenditures.

All budgets are adopted on a basis consistent with GAAP. Appropriations lapse June 30 unless specifically encumbered, committed, or assigned. At year-end, the Town Council meets to encumber these appropriations for the next fiscal year.

All budget data presented in the accompanying financial statements is the revised budget as of June 30 and includes the budget revisions disclosed previously. Unfavorable variances reported herein should not be interpreted to represent violations of laws as the legal level of fiscal control is based on total appropriated expenditures by fund.

**E. Deposits and Investments**

Cash resources of the governmental and proprietary funds are combined to form a pool of deposits and investments to maximize interest earnings potential. The pool consists primarily of certificates of deposit, repurchase agreements, government securities, and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool is reported at the pool's share price in accordance with GASB Statement 79.

For purposes of the Statement of Cash Flows, the town's enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(Continued)



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Fair Value Measurements**

The government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Level 2 investments are valued using a matrix pricing technique, which is based on the investments' benchmark quoted prices.

**G. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are shown as a nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Water and sewer receivables are shown net of an allowance for uncollectibles and consist of billed and unbilled utility receivables. Unbilled receivables are an estimate of utility services provided but not billed by year end.

Allowances for uncollectible accounts receivable (real estate taxes and utility billings) are calculated using historical collection data, specific account analysis, and management's judgment.

The town levies real estate taxes, as of January 1, on all real property in the town on a calendar year basis at a rate enacted by Town Council. The levies are based on the assessed value of property as determined by the Director of Real Estate Assessments of Fairfax County. All property is assessed at 100 percent of appraised value and reassessed each year as of January 1. Real estate taxes are collected in equal installments due July 28 and December 5. Lien dates are 190 days after the due date. The tax rate during 2019 per \$100 of assessed value was \$.265. No discounts are allowed. A late penalty of ten percent is charged after July 28 and December 5. Interest of ten percent on tax and penalty is charged from August 1 for the first half real estate taxes and from January 1 for second half real estate taxes.

The town reports real estate taxes (net of allowances) assessed for calendar year 2019 as receivables, net of payments received in advance of the due date, and deferred tax revenue because the town has an enforceable legal claim to these resources at June 30, 2019; however, these resources will not be available to the town until fiscal year 2020.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Receivables and Payables (Continued)**

The town did not assess personal property taxes during fiscal year 2019.

The portion of taxes receivable that is not collected within 45 days after June 30 is shown as unavailable revenue.

**H. Inventories**

Inventories in the proprietary funds are recorded at the lower of cost (first-in, first-out) or net realizable value. These inventories consist primarily of parts held for consumption.

Inventory in the General Fund consists of expendable supplies held for consumption and is recorded at cost (determined on a first-in, first-out basis). The cost is recorded as an expenditure when consumed.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

**J. Restricted Cash**

In accordance with the agreements resulting in the issuance of debt, the General Fund and Capital Projects Fund, Water and Sewer Fund and Downtown Parking Fund have a portion of their cash balance restricted and shown as "Cash with fiscal agent" or restricted cash on the Governmental Funds' Balance Sheet and the Statement of Net Position. This restriction on cash balances is due to the intended use, as prescribed in the applicable bond covenants. Amounts also consist of funds to be used for future capital projects and amounts accumulated for use in the Chestnut Grove Cemetery Perpetual Care Fund.

**K. Deferred Outflows and Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The town has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.

(Continued)

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Deferred Outflows and Inflows of Resources (Continued)**

- Contributions subsequent to the measurement date for pensions and OPEB; this will be applied to the net pension liability and net OPEB liability in the next fiscal year.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The town has the following items that qualify for reporting in this category:

- One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Another item represents taxes billed and, in some cases, collected before the period they are eligible for use.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension and OPEB liability. These differences will be recognized in pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or inflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.

**L. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets and infrastructure are defined by the town as assets with an initial, individual cost of more than \$5,000 and \$20,000, respectively, and an estimated useful life in excess of two years. The town has included all infrastructure assets of the town, including assets acquired before June 30, 1980.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**L. Capital Assets (Continued)**

The town's intangible assets consist of land easements and software, which were previously recorded and classified as machinery and equipment. Land easements have indefinite useful lives and thus are not subject to amortization.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	20-50 years
Buildings	10-50 years
Improvements other than buildings	5-50 years
Machinery and equipment	2-20 years
Furniture and fixtures	10-20 years
Intangibles and purchased capacity	5-40 years

Maintenance, repairs, and minor renewals are charged to operations when incurred. Expenses which materially increase values, change capacities, or extend useful lives are capitalized.

**M. Land Held for Sale**

Property held for sale is valued at the lower of cost or market. These assets are evaluated on an annual basis for impairment and a loss is recognized if the carrying amount exceeds the fair value. In May 2015, the Town Council entered into a contract to purchase 1.67 acres of land from a private owner. The sale was completed in September, 2015 with a purchase price of \$3,469,000. This land, along with other parcels, will be transferred to Comstock Herndon Venture, LC once the comprehensive agreement for the Herndon Downtown Redevelopment project is signed.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**N. Compensated Absences**

Vacation can be accumulated up to 37.5 days for all employees except department heads who can accumulate 40 days. Unused accumulated vacation is paid upon termination, death or retirement. Employees may utilize their sick leave benefit to the extent sickness causes employees to be absent. Upon retirement under the VRS, employees are considered 25% vested in sick leave benefits and are paid the vested portion up to \$10,000. Upon termination of employment except for dismissals, non-probationary full-time employees are considered 25% vested in sick leave benefits and are paid the vested portion up to \$2,500. A prorated amount shall be paid to non-probationary part-time employees. The vested amount is accrued in compensated absences.

Compensated absences are accrued when incurred in the entity-wide and proprietary funds statements and reported as a fund liability. The General Fund is responsible for paying the liability for compensated absences for General Government employees and has been used in prior years to liquidate the Governmental Funds' liability.

Compensated absences that are expected to be liquidated with expendable available resources are reported as expenditures and fund liabilities of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**O. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums, discounts, and deferred losses on refundings are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**P. Fund Balance**

In the fund financial statements, governmental funds report classifications of fund balance as follows:

- **Nonspendable** – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items, inventory, and advances between funds).
- **Restricted** – amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.
- **Committed** – amounts constrained to specific purposes by the Town Council. To be reported as committed, amounts cannot be used for any other purpose unless the Town Council takes the action to remove or change the constraint.
- **Assigned** – amounts constrained by the town's intent but are neither restricted nor committed. Encumbrances outstanding at year-end are designated by management, as allowed by the town's financial policies. Re-appropriations are then formally adopted by the Town Council in the following fiscal year through a budget amendment. Amounts designated for subsequent years' expenditures are adopted by a resolution of the Town Council which is retroactive to fiscal year-end. The action normally takes place during the month of July, which is after fiscal year-end. These amounts are also formally re-appropriated by the Town Council in the following fiscal year through a budget amendment.
- **Unassigned** – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Town Council, as the highest level of authority within the town, establishes the commitment of fund balance to purposes through the approval of the annual budget plan by resolution, in conjunction with the resolutions associated with the establishment of fee and tax rates, and acceptance or appropriation of funds. All subsequent changes to the budget plan to add, reduce, or redirect resources to other purposes are also accomplished by Council resolution. As a result, all unrestricted amounts directed toward a purpose are shown as committed. Balances shown as assigned in the General Fund represent encumbrances which would otherwise be unassigned.

The town considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available. When utilizing unrestricted balances, committed balances are applied first, followed by assigned then unassigned balances.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**P. Fund Balance (continued)**

Town council established a Revenue Stabilization Fund in 2012 within the assigned portion of the General Fund Balance. At the close of each audited fiscal year, after certifying that the Unassigned Fund Balance is in compliance with these policies, the Revenue Stabilization Fund shall receive a minimum of 25 percent of the prior year's surplus, if any, as calculated in the prior fiscal year audit. Balances in the Revenue Stabilization Fund will be allowed to accumulate until they reach an amount equal to 5.0 percent of General Fund Operating Revenues. Transfers to the Revenue Stabilization Fund may also be made as part of the adopted operating budget.

Withdrawals from the Revenue Stabilization Fund can only be considered if there is an unexpected General Fund recurring revenue decline of at least three percent below the original budget projections for the current fiscal year.

No more than half of the Revenue Stabilization Fund can be withdrawn in any one fiscal year except in the event that using no more than half of the balance would result in Unassigned Fund Balance falling below the 20 percent threshold noted herein. In such an instance, the withdrawal shall be the lesser of the amount needed to maintain the 20 percent Unassigned Fund Balance policy level or the remaining balance in the Revenue Stabilization Fund.

**Q. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2019 include \$1,255,602 in the general fund and \$1,093,584 in the general capital project fund.

**R. Pensions and Other Post-employment Benefits (OPEB)**

For purposes of measuring all financial elements related to pensions and OPEB, information about the fiduciary net position of the town's Plans and the additions to or deductions from the town's 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.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**S. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Note 2. Deposits and Investments**

The town maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Fund. Investment income is allocated to certain designated funds based on the percentage of the fund's cash and investments at month-end to the total pool. The Capital Projects Fund and the Water and Sewer Fund have specific designated investments as well as having equity in pooled cash and investments.

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

(Continued)



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

**Custodial Credit Risk**

This is the risk that in the event of a bank failure, the town's deposits may not be returned to it. The town's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year end, none of the town's deposits were exposed to custodial credit risk.

**Investments**

**Investment Policy:**

The State Treasurer's Local Government Investment Pool (LGIP) is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share and is reported based on guidance in GASB Statement 79.

State statutes and the town's policy authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, "prime-quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, open-end investment funds (mutual funds), certificates of deposit, and the LGIP. The town has investments in the LGIP, and the maturity of the LGIP is less than one year and is rated AAAM by Standard & Poor's.

The town's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

U. S. Treasury Obligations	100% maximum
U. S. Government Agency Securities and Instruments of Government Sponsored Corporations	100% maximum
Open-End Investment Funds (Mutual Funds)	100% maximum
Bankers' Acceptances	50% maximum
Repurchase Agreements	25% maximum
Certificate of Deposits – Virginia Qualified Commercial Banks, Savings and Loan Associations	75% maximum
Commercial Paper	35% maximum
Local Government Investment Pool	100% maximum

Further, of the total portfolio, no more than 25% can be invested with any one institution for Bankers' Acceptances, 10% with any one institution for Repurchase Agreements, 33% with any one institution for Certificates of Deposit, and no more than 5% with any one institution for Commercial Paper.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, the town's policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase, except for investments of capital projects, long-term reserve and other escrow funds that will be timed to meet contractors' payments, debt service or other anticipated financial obligations. In such cases, the town may invest reserve and escrow funds in securities maturing up to ten years from the date of purchase.

As of June 30, 2019, the town's investments consisted of the following:

Type	Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 24,886,209	AAAm	0.23
SNAP	5,033,452	AAAm	0.10
Federal Agency Bonds and Notes	7,814,472	AA- to AAA	0.08
Corporate Notes	999,680	AA+	0.18
Mutual Funds	4,149,503	Various	N/A
Total investments	<u>\$ 42,883,316</u>		

\* - Average Maturity in Years

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2019, the portion of the town's portfolio that exceed 5% of the total portfolio are as follows:

LGIP	58%
SNAP	12%
Federal Agency Bonds and Notes	18%
Mutual Funds	10%

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

Fair Value:

The town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The town has the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds – Police Retirement Plan				
DFA Emerging Markets Core Equity I	\$ 39,624	\$ -	\$ -	\$ 39,624
DFA International Core Equity I	106,227	-	-	106,227
DFA US Core Equity 2 I	161,896	-	-	161,896
Federated Capital Preservation	49,018	-	-	49,018
I-Shares I-Boxx \$ High Yield Corporate Bd	31,590	-	-	31,590
Vanguard Total Bond Market Index Adm	29,356	-	-	29,356
Vanguard Target Retirement 2055 Inv	27,546	-	-	27,546
Met Life Stable Value Fund	6,428	-	-	6,428
Vanguard Target Retirement 2050 Inv	124,311	-	-	124,311
Vanguard Target Retirement 2040 Inv	755,538	-	-	755,538
Vanguard REIT Index Adm	41,569	-	-	41,569
Vanguard Growth Index Adm	191,707	-	-	191,707
Vanguard Mid Cap Index Adm	37,305	-	-	37,305
Vanguard 500 Index Admiral	290,625	-	-	290,625
Vanguard Target Retirement 2030 Inv	250,450	-	-	250,450
Vanguard Target Retirement Income Inv	1,804	-	-	1,804
Vanguard Target Retirement 2045 Inv	180,038	-	-	180,038
Vanguard Target Retirement 2035 Inv	905,561	-	-	905,561
Vanguard Target Retirement 2025 Inv	653,296	-	-	653,296
Vanguard Target Retirement 2020	263,393	-	-	263,393
Vanguard Target Retirement 2015	2,221	-	-	2,221
Debt securities:				
Federal Agency Bonds and Notes	-	7,814,472	-	7,814,472
Corporate bonds	-	999,680	-	999,680
	<u>\$ 4,149,503</u>	<u>\$ 8,814,152</u>	<u>\$ -</u>	<u>\$ 12,963,655</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

Fair Value (Continued):

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Federal agency notes and corporate bonds are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Deposits and investments are reflected in the financial statements as follows:

Deposits and investments:	
Deposits	\$ 8,848,966
Investments	38,733,813
Investments held in trust	4,149,503
	<u>\$ 51,732,282</u>
Statement of Net Position:	
Cash and investments	\$ 40,022,387
Cash and investments with fiscal agent	3,604,617
Cash and investments – restricted	3,955,775
Fiduciary fund cash and investments	4,149,503
	<u>\$ 51,732,282</u>

Cash with fiscal agent and other restricted cash and investments:

Restricted cash and investments consist of unspent bond proceeds related to bond issuances as well as cash restricted for future capital projects and funds accumulated for use in the Chestnut Grove Cemetery Perpetual Care Fund.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Receivables and Due from Other Governments**

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Property tax	\$ 12,048,209	\$ -	\$ 12,048,209
Meal tax	264,017	-	264,017
Transient occupancy tax	236,405	-	236,405
Trade and other accounts	220,540	1,691,628	1,912,168
Gross receivables	12,769,171	1,691,628	14,460,799
Less: allowance for uncollectible	(9,223)	(9,428)	(18,651)
Receivables, net	<u>\$ 12,759,948</u>	<u>\$ 1,682,200</u>	<u>\$ 14,442,148</u>

Due from other governments:

Federal government	\$ 73,140	\$ -	\$ 73,140
Commonwealth of Virginia	577,581	-	577,581
Counties	407,060	-	407,060
Total due from other governments	<u>\$ 1,057,781</u>	<u>\$ -</u>	<u>\$ 1,057,781</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 4. Interfund Receivables, Payables, and Transfers (Continued)**

A summary of interfund transfer activity is presented as follows:

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Chestnut Grove Cemetery Fund</u>	<u>Total Transferred In</u>
<b>Transferred to Fund:</b>				
<b>Primary government:</b>				
<b>Governmental activities:</b>				
<b>Capital projects Fund</b>	\$ 440,000	\$ -	\$ -	\$ 440,000
<b>Other nonmajor governmental       funds</b>	341,498	-	46,027	387,525
<b>Business-type activities:</b>				
<b>Chestnut Grove Cemetery Fund</b>	-	64,852	-	64,852
<b>Downtown Parking Fund</b>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
<b>Total Transferred Out</b>	<u>\$ 981,498</u>	<u>\$ 64,852</u>	<u>\$ 46,027</u>	<u>\$ 1,092,378</u>

The transfers from the General Fund to the Capital Projects Fund, Other nonmajor governmental funds and the Downtown Parking Fund are for capital project expenditures.

The transfer from the Chestnut Grove Cemetery Fund to Other nonmajor governmental funds is for cemetery site sales.

**Note 5. Notes Receivable**

Notes receivable in the Downtown Parking Enterprise fund consist of the following:

4.515% note, due in annual installments of \$11,858, plus interest through October 2023	<u>\$ 59,288</u>
	59,288
Less current maturities	<u>(11,858)</u>
Long-term portion, net	<u>\$ 47,430</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30 is as follows:

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not depreciated:				
Land	\$ 24,689,717	\$ -	\$ -	\$ 24,689,717
Easements	19,680	-	-	19,680
Construction in progress	4,080,182	1,353,997	(2,983,186)	2,450,993
<b>Total capital assets not depreciated</b>	<u>28,789,579</u>	<u>1,353,997</u>	<u>(2,983,186)</u>	<u>27,160,390</u>
Capital assets, depreciated:				
Infrastructure	82,194,945	-	-	82,194,945
Buildings	41,732,165	269,295	-	42,001,460
Improvements other than buildings	14,833,695	2,713,891	(19,590)	17,527,996
Machinery and equipment	11,321,187	286,709	(1,241,587)	10,366,309
Intangibles	1,236,867	-	(100,350)	1,136,517
Furniture and fixtures	1,074,223	37,500	(13,214)	1,098,509
<b>Total capital assets</b>	<u>152,393,082</u>	<u>3,307,395</u>	<u>(1,374,741)</u>	<u>154,325,736</u>
Less accumulated depreciation:				
Infrastructure	(63,813,385)	(1,290,660)	-	(65,104,045)
Buildings	(18,810,048)	(1,116,449)	-	(19,926,497)
Improvements other than buildings	(8,709,041)	(530,514)	19,590	(9,219,965)
Machinery and equipment	(6,703,682)	(743,919)	1,127,406	(6,320,195)
Intangibles	(1,153,004)	(32,339)	100,350	(1,084,993)
Furniture and fixtures	(386,280)	(50,877)	10,645	(426,512)
<b>Total accumulated depreciation</b>	<u>(99,575,440)</u>	<u>(3,764,758)</u>	<u>1,257,991</u>	<u>(102,082,207)</u>
<b>Total capital assets, depreciated, net</b>	<u>52,817,642</u>	<u>(457,363)</u>	<u>(116,750)</u>	<u>52,243,529</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 81,607,221</u>	<u>\$ 896,634</u>	<u>\$ (3,099,936)</u>	<u>\$ 79,403,919</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Capital Assets (Continued)**

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not depreciated:				
Land	\$ 3,506,183	\$ -	\$ -	\$ 3,506,183
Construction in progress	<u>83,679</u>	<u>760,958</u>	<u>(368,235)</u>	<u>476,402</u>
Total capital assets not depreciated	<u>3,589,862</u>	<u>760,958</u>	<u>(368,235)</u>	<u>3,982,585</u>
Capital assets, depreciated:				
Buildings	3,545,244	6,720	-	3,551,964
Improvements other than buildings	34,790,003	470,013	-	35,260,016
Machinery and equipment	3,230,248	439,020	(121,995)	3,547,273
Furniture and fixtures	201,639	-	(6,720)	194,919
Intangibles and purchased capacity	<u>10,038,528*</u>	<u>6,127,626</u>	<u>-</u>	<u>16,166,154</u>
Total capital assets	<u>51,805,662</u>	<u>7,043,379</u>	<u>(128,715)</u>	<u>58,720,326</u>
Less accumulated depreciation:				
Buildings	(1,940,891)	(105,789)	-	(2,046,680)
Improvements other than buildings	(22,946,378)	(1,109,153)	-	(24,055,531)
Machinery and equipment	(1,946,282)	(193,927)	121,995	(2,018,214)
Furniture and fixtures	(200,995)	-	6,076	(194,919)
Intangibles and purchased capacity	<u>(6,339,051)*</u>	<u>(2,225)</u>	<u>-</u>	<u>(6,341,276)</u>
Total accumulated depreciation	<u>(33,373,597)</u>	<u>(1,411,094)</u>	<u>(128,071)</u>	<u>(34,656,620)</u>
Total capital assets, depreciated, net	<u>18,432,065</u>	<u>5,632,285</u>	<u>(644)</u>	<u>24,063,706</u>
Business-type activities capital assets, net	<u>\$ 22,021,927</u>	<u>\$ 6,393,243</u>	<u>\$ (368,879)</u>	<u>\$ 28,046,291</u>

\* - Amounts have been restated to include purchased capacity.

Additions to capital assets and accumulated depreciation above include \$77,288 of transferred assets from governmental activities with a net book value of zero.

(Continued)



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Capital Assets (Continued)**

**Primary Government**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Legislative	\$ 38,772
Administration	222,595
Parks and Recreation	668,570
Finance	38,780
Community Development	38,780
Police	485,561
Public Works	2,121,853
Town Attorney	<u>149,847</u>
	<u>\$ 3,764,758</u>
Business-type activities:	
Water and Sewer	\$ 973,888
Golf Course	237,689
Chestnut Grove Cemetery	117,921
Downtown Parking Enterprise	<u>4,307</u>
	<u>\$ 1,333,805</u>

The town purchased water capacity rights from Fairfax Water in 1994 and 1999 totaling \$9,772,920. Purchased water capacity is recognized as an asset and is amortized in the water and sewer fund over the life of the agreements. In the current year the town included a prior period adjustment to capital assets within the water and sewer fund for a net book value of \$3,681,872, with an offsetting amount recorded to long-term obligations. This had no effect on prior period net position.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Unavailable and Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue were as follows:

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property tax receivable	\$ 86,804	\$ -
Advance billing of 2019-2020 taxes	11,961,405	11,961,405
Intergovernmental	-	176,941
Other	-	41,191
	\$ 12,048,209	\$ 12,179,537

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Long-Term Debt**

**Primary Government**

The following is a summary of the long-term debt activity for the year ended June 30:

	<b>Beginning Balance, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 9,966,203	\$ 3,560,000	\$ 1,344,287	\$ 12,181,916	\$ 1,388,246
Plus deferred amount for bond premiums	65,436	126,266	18,704	172,998	-
	<u>10,031,639</u>	<u>3,686,266</u>	<u>1,362,991</u>	<u>12,354,914</u>	<u>1,388,246</u>
Compensated absences	<u>2,252,773</u>	<u>230,226</u>	<u>239,622</u>	<u>2,243,377</u>	<u>644,763</u>
	<u>\$ 12,284,412</u>	<u>\$ 3,916,492</u>	<u>\$ 1,602,613</u>	<u>\$ 14,598,291</u>	<u>\$ 2,033,009</u>
<b>Business-type Activities:</b>					
Serial bonds	\$ 1,746,297	\$ 7,575,000	\$ 266,713	\$ 9,054,584	\$ 279,004
Fairfax Water	3,681,872*	-	-	3,681,872	262,569
Plus deferred amount for bond premiums	25,219	280,074	7,174	298,119	-
	<u>5,453,388</u>	<u>855,074</u>	<u>273,887</u>	<u>13,034,575</u>	<u>541,573</u>
Compensated absences	<u>296,645</u>	<u>32,272</u>	<u>32,216</u>	<u>296,701</u>	<u>42,622</u>
	<u>\$ 5,750,033</u>	<u>\$ 7,887,346</u>	<u>\$ 306,103</u>	<u>\$ 13,331,276</u>	<u>\$ 584,195</u>

\* - Amounts have been restated to include purchased capacity obligations.

The town is subject to a legal debt margin based on the Constitution of Virginia. Based upon the Fairfax County valuation, the direct debt limit is \$451,779,464. With total exempt debt of \$12,354,914 the town has a legal debt margin of \$439,424,550.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**Note 8. Long-Term Debt (continued)**

**Primary Government (Continued)**

Annual requirements to amortize long-term debt, the related interest and other obligations are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,388,246	\$ 359,395	\$ 541,573	\$ 324,437	\$ 1,929,819	\$ 683,832
2021	1,426,945	323,176	665,124	316,478	2,092,069	639,654
2022	1,365,994	284,681	558,075	302,001	1,924,069	586,682
2023	1,402,184	247,006	566,885	290,758	1,969,069	537,764
2024	1,434,151	208,298	578,418	279,194	2,012,569	487,492
2025-2029	2,729,646	668,816	2,755,199	1,214,024	5,484,845	1,882,840
2030-2034	1,209,750	311,162	1,851,135	924,881	3,060,885	1,236,043
2035-2039	1,225,000	121,325	1,965,297	704,456	3,190,297	825,781
2040-2044	-	-	1,330,000	474,263	1,330,000	474,263
2045-2049	-	-	1,575,000	230,125	1,575,000	230,125
2050-2054	-	-	349,750	12,250	349,750	12,250
	<u>\$ 12,181,916</u>	<u>\$ 2,523,860</u>	<u>\$ 12,736,456</u>	<u>\$ 5,072,867</u>	<u>\$ 24,918,372</u>	<u>\$ 7,596,726</u>

**Details of Long-term Indebtedness**

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Build America and Recovery Zone Bonds	3.00 – 6.07	2010	2030	\$ 2,875,000	\$ 1,511,800	\$ 323,200
General Obligation Public Improvement and Refunding Bonds	3.25 – 4.00	2010	2021	3,015,000	404,243	285,757
General Obligation Public Improvement and Refunding Bonds	2.15	2012	2023	4,999,000	2,920,500	-
General Obligation Public Improvement and Refunding Bonds	2.10	2014	2026	5,221,000	2,952,373	870,627
General Obligation Public Improvement and Refunding Bonds	2.20	2018	2025	969,000	833,000	-
General Obligation Public Improvement and Refunding Bonds	2.00-5.00	2018	2050	11,135,000	3,560,000	7,575,000
Fairfax Water 1994 Agreement	0.00	1994	2029	5,298,720	-	1,513,920
Fairfax Water 1999 Agreement	0.00	1999	2039	4,474,200	-	2,167,952
					<u>\$ 12,181,916</u>	<u>\$ 12,736,456</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan**

**Plan Description**

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	122
Inactive members:	
Vested inactive members	44
Non-vested inactive members	56
Inactive members active elsewhere in VRS	38
Total inactive members	138
Active members	232
Total covered employees	492

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan (Continued)**

**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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 6.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 the political subdivision were \$1,124,723 and \$1,241,860 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, 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 rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017 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:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan (Continued)**

**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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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 %		<u>4.80 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.30 %</u>

\* The above allocation provides for 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 rate of 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 2.5%.



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balances at June 30, 2017	\$ 76,682,439	\$ 74,322,992	\$ 2,359,447
Changes for the year:			
Service cost	1,723,180	-	1,723,180
Interest	5,263,541	-	5,263,541
Differences between expected and actual experience	(297,252)	-	(297,252)
Contributions – employer	-	1,239,811	(1,239,811)
Contributions – employee	-	813,625	(813,625)
Net investment income	-	5,485,075	(5,485,075)
Benefit payments, including refunds of employee contributions	(2,978,005)	(2,978,005)	-
Administrative expenses	-	(47,214)	47,214
Other changes	-	(4,893)	4,893
Net changes	<u>3,711,464</u>	<u>4,508,399</u>	<u>(796,935)</u>
Balances at June 30, 2018	<u>\$ 80,393,903</u>	<u>\$ 78,831,391</u>	<u>\$ 1,562,512</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan (Continued)**

**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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability (asset)	\$ 12,084,936	\$ 1,562,512	\$ (7,203,038)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$561,595. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,220,395
Changes of assumptions	-	262,179
Net difference between projected and actual earnings on pension plan investments	-	683,526
Employer contributions subsequent to the measurement date	1,124,723	-
Total	\$ 1,124,724	\$ 2,166,100

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Defined Benefit Pension Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$1,124,723 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2020	\$ (524,650)
2021	(735,193)
2022	(842,927)
2023	(63,330)
2024	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the Pension Plan**

At June 30, 2019, approximately \$217,734 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**Note 10. Defined Contribution Plan – Police Retirement**

**Plan Description**

The Town of Herndon Police Supplemental Retirement Plan (Plan) is a defined contribution plan established by the town to provide retirement benefits, supplemental to VRS, for town police officers. The Plan is administered by the town. The town contributes an amount equal to four percent of the officer’s wages; the officers make no contribution. The Plan was established by Town Council and any amendments to the plan must be approved by the Council. The Plan does not issue a stand-alone financial report.

The town’s police officers are enrolled in the Law Enforcement Officers retirement program within the VRS. The police officers are provided benefits equivalent to those provided for State police officers as set out in Section 51.1-138 of the *Code of Virginia*.

There were 116 participants in the Plan at June 30, 2019. The Plan has eight distribution options available to the officers upon retirement, separation from service, death, disability, or termination of the Plan. Town contributions recorded as pension expenditure totaled \$201,991 for the fiscal year ended June 30, 2019. Data concerning the value of vested and nonvested benefits as of June 30, 2019 is as follows:

Vested benefits	\$	3,982,801
Nonvested benefits		166,702
	\$	<u>4,149,503</u>

**Vesting**

Contributions by the town will vest to the benefit of the officer for which they are made according to the following schedule:

Years of Service as Herndon Police Officer	Vested Percentage
Fewer than 3 years	None
3 years but fewer than 4	20
4 years but fewer than 5	40
5 years but fewer than 6	60
6 years but fewer than 7	80
7 years or more	100

**Significant Accounting Policies**

*Basis of Accounting:* The Plan financial statements are prepared using the accrual basis of accounting.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Defined Contribution Plan – Police Retirement (Continued)**

**Significant Accounting Policies (Continued)**

*Reporting:* The Plan is accounted for as a trust fund of the town.

*Investment Valuation and Income Recognition:* Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the mutual fund, which represents the net asset value of the shares held by the Plan.

*Payment of Benefits:* Benefits are recorded when paid.

In addition, State statutes authorize the town to purchase other investments for pension funds that meet the standard of judgment and care set forth in the *Code of Virginia*. These additional investments may include obligations of other states, political subdivisions thereof, or mutual funds.

**Concentrations**

At June 30, 2019, Plan assets were comprised of mutual funds investing in stocks, bonds, guaranteed investment contracts, and U. S. government securities. Single investments representing more than 5% of the Plan's net assets as of June 30, 2019 are separately identified in the fair value measurements table in Note 2.

**Note 11. Other Post-Employment Benefits – Local Plan**

**Plan Description**

Other postemployment benefits (OPEB) provided by the town include a single-employer, defined benefit retiree health insurance premium plan.

A retiree, eligible for the plan, is defined as a full-time employee who is participating in the employer's medical and dental program, and may elect coverage if the employee is (a) eligible for VRS retirement (i.e. General Employees; earlier of age 50 and 10 years of service or age 55 and 5 years of service; Hazardous Duty Employees: age 50 and 7 years of service, or (b) disabled employees who qualify for VRS disability (no age or service requirement in VRS). The plan was established by Town Council and any amendments to the plan must be approved by the Council. The plan does not issue stand-alone financial reports.

**Benefits Provided**

Benefits include medical, dental, and vision insurance. Participating retirees pay monthly premiums to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Post-Employment Benefits – Local Plan (continued)**

**Employees Covered by Benefit Terms**

As of the July 1, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<b>Number</b>
Inactive employees or beneficiaries:	
Currently receiving benefits	68
Entitled to but not yet receiving benefits	-
Total inactive employees	68
Active plan members	232
	300

**Total OPEB Liability**

The town's total OPEB liability of \$4,594,540 was measured as of July 1, 2018 and was determined based on an actuarial valuation performed as of July 1, 2018.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Actuarial Assumptions and other inputs**

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.62%
Salary increases, including inflation	2.5%, plus productivity component of 1.25%
Healthcare cost trend rates	6.61-5.00%
Retirees' share of benefit-related costs	Same as Health Care Trend

Mortality rates: RP-2014 Combined Annuitant Mortality Table for males and females.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2018.

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	<u>\$ 3,297,453</u>
Changes for the year:	
Service cost	132,301
Interest	120,406
LEO Employees	1,209,950
Differences between expected and actual experience	-
Assumption or other input changes	-
Benefit payments	(95,969)
Other changes	<u>(69,601)</u>
Net changes	<u>1,297,087</u>
Balance at June 30, 2019	<u><u>\$ 4,594,540</u></u>

Benefit payments above represent amounts paid by the town sufficient to satisfy benefit payment requirements to participants.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the town, as well as what the town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	<b>1.00% Decrease (2.62%)</b>	<b>Current Discount Rate (3.62%)</b>	<b>1.00% Increase (4.62%)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB liability	<u>\$ 5,022,692</u>	<u>\$ 4,594,540</u>	<u>\$ 4,207,641</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the town, as well as what the town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.61%) or one percentage point higher (7.61%) than the current healthcare cost trend rates:

	<b>1.00% Decrease (5.61%)</b>	<b>Current Healthcare Cost Trend Rates (6.61%)</b>	<b>1.00% Increase (7.61%)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB liability	<u>\$ 4,152,374</u>	<u>\$ 4,594,540</u>	<u>\$ 5,112,685</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the town recognized OPEB expense of \$475,795. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 975,154	\$ -
Change in assumptions	-	56,917
Employer contributions subsequent to the measurement date	78,001	-
Total	\$ 1,053,155	\$ 56,917

The \$77,967 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ 221,688
2021	221,688
2022	221,688
2023	221,688
2024	31,485
Thereafter	-

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the town also participates in a cost-sharing multiple employer other postemployment benefit plan, described as follows.

**Plan Descriptions**

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$91,104
June 30, 2018 Contribution	\$87,898

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2019 proportionate share of liability	\$1,350,199
June 30, 2018 proportion	0.08889%
June 30, 2017 proportion	0.09050%
June 30, 2019 expense	\$8,000

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources  
Related to OPEB (Continued)**

At June 30, 2019, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66,039	\$ 24,062
Changes of assumptions	-	56,146
Net difference between projected and actual earnings on OPEB plan investments	-	44,115
Changes in proportion	11,007	23,060
Employer contributions subsequent to the measurement date	91,158	-
Total	<u>\$ 168,204</u>	<u>\$ 147,383</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources  
Related to OPEB (Continued)**

Group Life Insurance Program (Continued)

The deferred outflows of resources related to OPEB resulting from the town’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2020	\$ (21,000)
2021	(21,000)
2022	(21,000)
2023	(9,000)
2024	-
Thereafter	1,653

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources  
Related to OPEB (Continued)**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.0%

\* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

**Net OPEB Liabilities**

The net OPEB liabilities represent each program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	1,594,773
Employers’ net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22%

The total liability is calculated by the VRS actuary and each plan’s fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**Long-Term Expected Rate of Return**

Group Life Insurance

The long-term expected rate of return on VRS 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 OPEB 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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 %		<u>4.80 %</u>
Inflation		<u>2.50 %</u>	
*Expected arithmetic nominal return		<u>7.30 %</u>	

\* The above allocation provides for 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 rate of 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 2.5%.



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans  
(Continued)**

**Discount Rate**

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS 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, 2018, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability	\$ 1,764,000	\$ 1,350,194	\$ 1,013,000

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 13. Summary of Pension and Other Post Employment Benefit Elements**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>
Deferred outflows of resources – Pension			
Employer contributions subsequent to the measurement date			
VRS	\$ 1,023,449	\$ 101,274	\$ 1,124,723
Total deferred outflows of resources - pensions	<u>\$ 1,023,449</u>	<u>\$ 101,274</u>	<u>\$ 1,124,723</u>
Deferred outflows of resources – OPEB			
Employer contributions subsequent to the measurement date			
Local plan	\$ 72,837	\$ 5,164	\$ 78,001
VRS GLI	82,900	8,258	91,158
Difference between expected and actual experience			
Local plan	883,593	91,561	975,154
VRS GLI	60,057	5,982	66,039
Change in Proportionate Share			
VRS GLI	10,010	997	11,007
Total deferred outflows of resources - OPEB	<u>\$ 1,109,397</u>	<u>\$ 111,962</u>	<u>\$ 1,221,359</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Summary of Pension and Other Post Employment Benefit Elements (Continued)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Net pension liability			
VRS	\$ 1,472,714	\$ 89,798	\$ 1,562,512
Total net pension liability	<u>\$ 1,472,714</u>	<u>\$ 89,798</u>	<u>\$ 1,562,512</u>
Net OPEB liability			
Local plan	\$ 4,023,033	\$ 571,507	\$ 4,594,540
VRS GLI	1,223,521	126,673	1,350,194
Total net OPEB liability	<u>\$ 5,246,554</u>	<u>\$ 698,180</u>	<u>\$ 5,944,734</u>
Deferred inflows of resources – Pensions			
Difference between expected and actual experience			
VRS	\$ 1,106,059	\$ 114,336	\$ 1,220,395
Change in assumptions			
VRS	237,616	24,563	262,179
Net difference between projected and actual investment earnings on pension plan investments			
VRS	619,488	64,038	683,526
Total deferred inflows of resources - pensions	<u>\$ 1,963,163</u>	<u>\$ 202,937</u>	<u>\$ 2,166,100</u>
Deferred inflows of resources – OPEB			
Difference between expected and actual experience			
VRS GLI	\$ 21,839	\$ 2,223	\$ 24,062
Net difference between projected and actual investment earnings on OPEB plan investments			
VRS GLI	40,038	4,077	44,115
Change in assumptions			
Local plan	51,466	5,451	56,917
VRS GLI	50,958	5,188	56,146
Change in Proportionate Share			
VRS GLI	20,929	2,131	23,060
Total deferred inflows of resources - OPEB	<u>\$ 185,230</u>	<u>\$ 19,070</u>	<u>\$ 204,300</u>

(Continued)

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. Risk Management**

The town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The town is not self-insured.

The town has coverage with the Virginia Municipal League Insurance Program (the "Pool") for all insurable risks identified by the town. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The town pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The town contributes to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

**Note 15. Commitments and Contingencies**

**Federal and State-Assisted Programs**

The town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Litigation:**

The town is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of operations. It is the opinion of town management that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the town.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 16. Rentals Under Operating Leases**

The town has twelve leases to telecommunication companies for the placement of antennas on the town's water tanks. Lease terms vary by lessee and expire at various dates through July, 2033. Total rental income for 2019 was \$367,066.

2020	\$	378,790
2021		386,678
2022		358,896
2023		369,117
2024		372,476
Thereafter		<u>782,058</u>
Total	\$	<u>2,648,015</u>

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

**Note 17. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 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 periods beginning after December 15, 2018.

The GASB issued **Statement No. 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 periods beginning after December 15, 2019.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 17. New Accounting Standards (Continued)**

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK





[www.herndon-va.gov](http://www.herndon-va.gov)

**REQUIRED SUPPLEMENTARY  
INFORMATION**

THIS PAGE INTENTIONALLY LEFT BLANK

## TOWN OF HERNDON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN**  
**Year Ended June 30, 2019**

	Plan Year	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 132,301	\$ 127,334
Interest on total OPEB liability	120,406	116,391
LEO employees	1,209,950	-
Difference between actual and expected experience	-	-
Other changes	(69,601)	-
Benefit payments	(95,969)	(175,191)
Net change in total OPEB liability	1,297,087	68,534
<b>Total OPEB liability (beginning)</b>	<u>3,297,452</u>	<u>3,228,918</u>
<b>Total OPEB liability (ending)</b>	<u>\$ 4,594,539</u>	<u>\$ 3,297,452</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Covered payroll	<u>\$ 17,382,513</u>	<u>\$ 10,855,369</u>
Net OPEB liability as a percentage of covered employee payroll	<u>26.43%</u>	<u>30.38%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

**TOWN OF HERNDON, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPEB CONTRIBUTIONS  
 June 30, 2019**

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>VRS Group Term Life Insurance</b>					
2019	\$ 91,158	\$ 91,158	\$ -	\$ 17,518,246	0.52%
2018	87,898	87,898	-	16,718,150	0.53%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

**TOWN OF HERNDON, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**June 30, 2019**

Plan Fiscal Year Ended June 30	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
<b>VRS Group Term Life Insurance</b>					
2018	0.09%	\$ 1,350,199	\$ 16,718,150	8.08%	51.22%
2017	0.09%	1,362,000	16,663,134	8.17%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the plan's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

## TOWN OF HERNDON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Year Ended June 30, 2019

	Plan Year				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 1,723,180	\$ 1,780,019	\$ 1,775,184	\$ 1,780,620	\$ 1,821,327
Interest on total pension liability	5,263,541	5,143,537	4,887,085	4,664,075	4,385,197
Benefit payments, including refunds of employee contributions	(297,252)	(2,984,230)	(2,474,947)	(2,406,002)	(2,039,114)
Difference between actual and expected experience	(2,978,005)	(1,706,344)	(269,073)	(818,369)	-
Changes of assumptions	-	(521,761)	-	-	-
Net change in total pension liability	3,711,464	1,711,221	3,918,249	3,220,324	4,167,410
<b>Total pension liability (beginning)</b>	76,682,439	74,971,218	71,052,969	67,832,645	63,665,235
<b>Total pension liability (ending)</b>	<u>\$ 80,393,903</u>	<u>\$ 76,682,439</u>	<u>\$ 74,971,218</u>	<u>\$ 71,052,969</u>	<u>\$ 67,832,645</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 1,239,811	\$ 1,256,634	\$ 1,548,518	\$ 1,562,827	\$ 1,603,624
Contributions - employee	813,625	876,797	800,721	807,614	832,188
Net investment income	5,485,075	8,184,878	1,164,925	2,907,557	8,612,262
Benefit payments, including refunds of employee contributions	(2,978,005)	(2,984,230)	(2,474,947)	(2,406,002)	(2,039,114)
Administrative expenses	(47,214)	(47,240)	(40,637)	(39,225)	(45,658)
Other	(4,893)	(7,263)	(490)	(616)	454
Net change in plan fiduciary net position	4,508,399	7,279,576	998,090	2,832,155	8,963,756
<b>Plan fiduciary net position - beginning</b>	74,322,992	67,043,416	66,045,326	63,213,171	54,249,415
<b>Plan fiduciary net position - ending</b>	<u>\$ 78,831,391</u>	<u>\$ 74,322,992</u>	<u>\$ 67,043,416</u>	<u>\$ 66,045,326</u>	<u>\$ 63,213,171</u>
<b>Net pension liability - ending</b>	<u>\$ 1,562,512</u>	<u>\$ 2,359,447</u>	<u>\$ 7,927,802</u>	<u>\$ 5,007,643</u>	<u>\$ 4,619,474</u>
Plan fiduciary net position as a percentage of total pension liability	<u>98.06%</u>	<u>96.92%</u>	<u>89.43%</u>	<u>92.95%</u>	<u>93.19%</u>
Covered payroll	<u>\$ 16,835,121</u>	<u>\$ 16,663,134</u>	<u>\$ 16,563,441</u>	<u>\$ 15,901,012</u>	<u>\$ 16,413,756</u>
Net pension liability as a percentage of covered payroll	<u>9.28%</u>	<u>14.16%</u>	<u>47.86%</u>	<u>31.49%</u>	<u>28.14%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

Schedule is intended to show information for 10 years. Since fiscal year (plan year 2014) 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 June 30, 2019

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Primary Government</b>					
2019	\$ 1,124,723	\$ 1,124,723	-	\$ 17,501,069	6.43 %
2018	1,241,860	1,241,860	-	16,835,121	7.38
2017	1,256,634	1,256,634	-	16,663,134	7.54
2016	1,573,635	1,573,635	-	16,563,441	9.50
2015	1,564,778	1,564,778	-	15,901,012	9.84

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, only three years of data is available. However, additional years will be included as they become available.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019**

**Note 1. Changes of Benefit Terms**

Pension

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

Other Postemployment Benefits (OPEB)

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

**Note 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:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Applicable to: Pension, GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Applicable to: Pension, GLI OPEB

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Applicable to: Pension, GLI OPEB

(Continued)



**TOWN OF HERNDON, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019**

**Note 2. Changes of Assumptions (Continued)**

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB

THIS PAGE INTENTIONALLY LEFT BLANK



[www.herndon-va.gov](http://www.herndon-va.gov)

**OTHER SUPPLEMENTARY  
INFORMATION**

THIS PAGE INTENTIONALLY LEFT BLANK

## **Nonmajor Governmental Funds**

### **Special Revenue Fund**

Special revenue funds are used to account for specific revenues that are legally committed by legislative imposition by the Herndon Town Council to expenditure for particular purposes. The town's special revenue fund is the Chestnut Grove Cemetery Perpetual Care Fund.

### **Capital Projects Fund**

Capital projects funds are generally used to account for the acquisition and construction of major capital projects other than those financed by proprietary funds and trust funds. The Information Systems Improvement Fund accounts for the town's acquisition of telecommunications equipment, computer hardware and software, and other automated systems.

**TOWN OF HERNDON, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2019**

**Exhibit B-1**

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ -	\$ 952,287	\$ 952,287
Accrued interest	16,089	-	16,089
Cash, cash equivalents and investments - restricted	1,719,112	-	1,719,112
Total assets	\$ 1,735,201	\$ 952,287	\$ 2,687,488
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 77,074	\$ 77,074
Fund balances:			
Restricted:			
Cemetery perpetual care	1,735,201	-	1,735,201
Assigned:			
Prior year reserve for encumbrances	-	4,830	4,830
Police radio replacements	-	840,000	840,000
Subsequent years' expenditures for Information Systems Improvement Fund	-	30,383	30,383
Total fund balances	1,735,201	875,213	2,610,414
Total liabilities and fund balances	\$ 1,735,201	\$ 952,287	\$ 2,687,488

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>			
Revenue from local sources:			
Use of money and property	\$ 80,941	\$ -	\$ 80,941
Total revenues	<u>80,941</u>	<u>-</u>	<u>80,941</u>
<b>Expenditures:</b>			
Capital outlay	<u>-</u>	<u>104,512</u>	<u>104,512</u>
Excess (deficiency) of revenues over expenditures	<u>80,941</u>	<u>(104,512)</u>	<u>(23,571)</u>
<b>Other financing sources (uses):</b>			
Transfers in	46,027	341,498	387,525
Transfers out	<u>(64,852)</u>	<u>-</u>	<u>(64,852)</u>
Total other financing sources, net	<u>(18,825)</u>	<u>341,498</u>	<u>322,673</u>
Net change in fund balances	62,116	236,986	299,102
Fund balances, July 1	<u>1,673,085</u>	<u>638,227</u>	<u>2,311,312</u>
Fund balances, June 30	<u>\$ 1,735,201</u>	<u>\$ 875,213</u>	<u>\$ 2,610,414</u>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-3**

**GENERAL FUND  
BALANCE SHEET  
June 30, 2019  
(With Comparative Amounts for 2018)**

	2019	2018
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 18,969,365	\$ 16,987,176
Cash and investments with fiscal agent	238	101
Receivables (net of allowance for doubtful accounts):		
Property taxes	12,048,209	11,515,711
Accounts and other services	711,739	570,193
Accrued interest	67,405	84,942
Due from other governments	677,627	679,856
Inventories	178,211	216,742
Prepaid costs	33,299	35,444
Cash, cash equivalents and investments - restricted	<u>-</u>	<u>310,000</u>
 Total assets	 <u>\$ 32,686,093</u>	 <u>\$ 30,400,165</u>
 <b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 801,225	\$ 730,198
Accrued payroll	298,188	279,013
Accrued liabilities - other	688,299	841,031
Unearned revenue	176,941	242,915
Deposits	<u>2,342,917</u>	<u>1,779,377</u>
 Total liabilities	 <u>4,307,570</u>	 <u>3,872,534</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues - property taxes	<u>12,048,209</u>	<u>11,499,269</u>
 <b>FUND BALANCE</b>		
Fund Balances:		
Nonspendable:		
Inventories	178,211	216,742
Prepaid costs	33,299	35,444
Restricted:		
Bond proceeds not yet spent	-	310,000
Revenue stabilization	1,800,000	1,400,000
Assigned to:		
Operating and capital	1,255,602	726,179
Capital reserve	1,477,536	1,264,800
Contingency reserve	900,000	547,800
Subsequent years' expenditures	147,996	330,618
Unassigned	<u>10,537,670</u>	<u>10,196,779</u>
 Total fund balances	 <u>16,330,314</u>	 <u>15,028,362</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 32,686,093</u>	 <u>\$ 30,400,165</u>



TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 1

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 11,341,418	\$ 11,341,418	\$ 11,447,469	\$ 106,051
Elderly tax relief exemption	-	-	(108,705)	(108,705)
Public service corporation taxes	343,483	343,483	317,411	(26,072)
Penalties and interest	54,800	54,800	35,011	(19,789)
<b>Total general property taxes</b>	<u>11,739,701</u>	<u>11,739,701</u>	<u>11,691,186</u>	<u>(48,515)</u>
Other local taxes:				
Consumer utility tax	790,000	790,000	798,265	8,265
Right of way use fees	150,000	150,000	127,181	(22,819)
Cigarette tax	290,000	290,000	254,081	(35,919)
Transient occupancy tax	2,249,410	2,249,410	2,345,943	96,533
Bank stock tax	405,000	405,000	386,039	(18,961)
Cable TV franchise fees	205,000	205,000	176,423	(28,577)
Business licenses tax	4,600,000	4,600,000	4,930,755	330,755
Utility consumption tax	90,000	90,000	90,190	190
Motor vehicle licenses	450,000	450,000	461,004	11,004
Local sales tax	1,800,000	1,800,000	1,871,909	71,909
Meals tax	2,304,304	2,304,304	2,308,551	4,247
<b>Total other local taxes</b>	<u>13,333,714</u>	<u>13,333,714</u>	<u>13,750,341</u>	<u>416,627</u>
Permits, privilege fees and regulatory licenses:				
Planning fees	157,663	157,663	130,448	(27,215)
Building inspection fees and permits	357,000	357,000	898,871	541,871
State stormwater management fees	10,000	10,000	6,692	(3,308)
Residential parking permits	-	-	685	685
Right of way permit fees	15,000	15,000	20,716	5,716
<b>Total permits, privilege fees and regulatory licenses</b>	<u>539,663</u>	<u>539,663</u>	<u>1,057,412</u>	<u>517,749</u>
Fines and forfeitures:				
Court fines and costs	98,000	98,000	79,264	(18,736)
Court fees - Fairfax County	325,000	325,000	369,168	44,168
Court maintenance fees	13,000	13,000	11,856	(1,144)
E-Summons fees	20,000	20,000	26,969	6,969
Zoning fines	4,000	4,000	(2,249)	(6,249)
<b>Total fines and forfeitures</b>	<u>460,000</u>	<u>460,000</u>	<u>485,008</u>	<u>25,008</u>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 2

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	\$ 302,500	\$ 302,500	\$ 542,464	\$ 239,964
Rental income	<u>487,000</u>	<u>487,000</u>	<u>517,555</u>	<u>30,555</u>
<b>Total use of money and property</b>	<u>789,500</u>	<u>789,500</u>	<u>1,060,019</u>	<u>270,519</u>
Charges for services:				
Franchise lease	96,000	96,000	66,330	(29,670)
Commercial refuse collection	20,000	20,000	27,943	7,943
Recycling collection	100,000	100,000	99,435	(565)
Recreation program fees	1,600,000	1,600,000	1,697,562	97,562
Admission fees	410,500	410,500	411,968	1,468
Park operation	10,500	10,500	28,623	18,123
Herndon festival	380,000	380,000	314,673	(65,327)
Concession	14,200	14,200	21,621	7,421
Rental income - parks & recreation	100,000	100,000	134,389	34,389
Tennis/multi-use facility	226,000	226,000	264,300	38,300
Sale of recyclable materials	26,500	26,500	6,892	(19,608)
Quasi - external revenue - charges for administration, personnel and other services:				
Chestnut Grove Cemetery fund	17,136	17,136	17,136	-
Golf course fund	35,700	35,700	35,700	-
Water and sewer fund	<u>535,497</u>	<u>535,497</u>	<u>535,497</u>	<u>-</u>
<b>Total charges for services</b>	<u>3,572,033</u>	<u>3,572,033</u>	<u>3,662,069</u>	<u>90,036</u>
Miscellaneous	<u>36,500</u>	<u>36,500</u>	<u>31,720</u>	<u>(4,780)</u>
<b>Total revenue from local sources</b>	<u>30,471,111</u>	<u>30,471,111</u>	<u>31,737,755</u>	<u>1,266,644</u>
Intergovernmental:				
County of Fairfax:				
Pro-rata share of stormwater district tax collections	250,000	250,000	-	(250,000)
Contribution toward tourism and economic development	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
<b>Total from County of Fairfax</b>	<u>290,000</u>	<u>290,000</u>	<u>40,000</u>	<u>(250,000)</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 3

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental: (Continued)				
Other Local Governments:				
NOVA regional Gang Task Force grant	\$ 25,000	\$ 34,000	\$ 22,086	\$ (11,914)
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	589,000	589,000	587,324	(1,676)
Communications sales and use tax	1,584,316	1,584,316	1,461,565	(122,751)
Vehicle rental taxes	1,000	1,000	20,974	19,974
<b>Total non-categorical aid</b>	<b>2,174,316</b>	<b>2,174,316</b>	<b>2,069,863</b>	<b>(104,453)</b>
Categorical aid:				
Fire fund program	76,000	74,000	80,621	6,621
Litter control grant	6,000	6,000	6,130	130
Dept. of Criminal Justice Service - NOVA regional ICAC grant	35,000	50,602	40,000	(10,602)
VDEM reimbursement	14,000	17,000	-	(17,000)
Forestry grant	1,000	-	-	-
Arts grant	-	-	4,500	4,500
Street and highway maintenance allocation	2,029,400	2,029,400	2,028,856	(544)
<b>Total categorical aid</b>	<b>2,161,400</b>	<b>2,177,002</b>	<b>2,160,107</b>	<b>(16,895)</b>
<b>Total from the Commonwealth</b>	<b>4,335,716</b>	<b>4,351,318</b>	<b>4,229,970</b>	<b>(121,348)</b>
Federal government:				
Categorical aid:				
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement Grant	56,000	47,400	44,165	(3,235)
US Dept. of Justice/ Criminal Division Office Equitable Sharing Program	-	-	35,744	35,744
Byrne Justice Assistance (JAG) Grant	-	17,198	8,598	(8,600)
Bullet Proof Vest Grant	-	-	1,087	1,087
Community Development Bloc Grant	-	-	46,348	46,348
<b>Total from the Federal government</b>	<b>56,000</b>	<b>64,598</b>	<b>135,942</b>	<b>71,344</b>
<b>Total intergovernmental revenue</b>	<b>4,706,716</b>	<b>4,739,916</b>	<b>4,427,998</b>	<b>(311,918)</b>
Other financing sources:				
Proceeds from sale of surplus property	27,860	27,860	65,954	38,094
Insurance recoveries	-	97,182	104,190	7,008
Bond proceeds	310,000	310,000	155,035	(154,965)
<b>Total other financing sources (uses)</b>	<b>337,860</b>	<b>435,042</b>	<b>325,179</b>	<b>(109,863)</b>
<b>Total General Fund revenues</b>	<b>\$ 35,515,687</b>	<b>\$ 35,646,069</b>	<b>\$ 36,490,932</b>	<b>\$ 844,863</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 1

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Personnel services	\$ 398,557	\$ 398,557	\$ 409,451	\$ (10,894)
Operations and maintenance	<u>322,700</u>	<u>322,700</u>	<u>303,758</u>	<u>18,942</u>
<b>Total legislative</b>	<u>721,257</u>	<u>721,257</u>	<u>713,209</u>	<u>8,048</u>
Administration:				
Communications & Economic Development:				
Personnel services	364,035	364,035	337,316	26,719
Operations and maintenance	<u>73,700</u>	<u>74,300</u>	<u>61,399</u>	<u>12,901</u>
	<u>437,735</u>	<u>438,335</u>	<u>398,715</u>	<u>39,620</u>
Town manager:				
Personnel services	472,429	472,429	453,540	18,889
Operations and maintenance	<u>103,287</u>	<u>109,784</u>	<u>30,625</u>	<u>79,159</u>
	<u>575,716</u>	<u>582,213</u>	<u>484,165</u>	<u>98,048</u>
Human resources:				
Personnel services	496,087	496,087	471,239	24,848
Operations and maintenance	<u>115,200</u>	<u>115,200</u>	<u>87,729</u>	<u>27,471</u>
	<u>611,287</u>	<u>611,287</u>	<u>558,968</u>	<u>52,319</u>
Information services:				
Personnel services	748,654	748,654	795,249	(46,595)
Operations and maintenance	<u>769,585</u>	<u>876,787</u>	<u>769,263</u>	<u>107,524</u>
	<u>1,518,239</u>	<u>1,625,441</u>	<u>1,564,512</u>	<u>60,929</u>
<b>Total administration</b>	<u>3,142,977</u>	<u>3,257,276</u>	<u>3,006,360</u>	<u>250,916</u>
Town attorney:				
Personnel services	378,560	378,560	355,965	22,595
Operations and maintenance	<u>148,300</u>	<u>148,300</u>	<u>115,214</u>	<u>33,086</u>
<b>Total town attorney</b>	<u>526,860</u>	<u>526,860</u>	<u>471,179</u>	<u>55,681</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 2

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation:				
Administration:				
Personnel services	\$ 631,708	\$ 631,708	\$ 630,600	\$ 1,108
Operations and maintenance	<u>117,690</u>	<u>118,010</u>	<u>112,922</u>	<u>5,088</u>
	<u>749,398</u>	<u>749,718</u>	<u>743,522</u>	<u>6,196</u>
Recreation programs:				
Personnel services	885,383	885,383	990,570	(105,187)
Operations and maintenance	<u>708,700</u>	<u>748,867</u>	<u>599,704</u>	<u>149,163</u>
	<u>1,594,083</u>	<u>1,634,250</u>	<u>1,590,274</u>	<u>43,976</u>
Community center operations:				
Personnel services	1,008,317	1,008,317	1,020,968	(12,651)
Operations and maintenance	226,600	237,949	236,524	1,425
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>18,448</u>	<u>1,552</u>
	<u>1,254,917</u>	<u>1,266,266</u>	<u>1,275,940</u>	<u>(9,674)</u>
Aquatics programs and operations:				
Personnel services	801,359	801,359	719,496	81,863
Operations and maintenance	<u>164,172</u>	<u>163,852</u>	<u>127,616</u>	<u>36,236</u>
	<u>965,531</u>	<u>965,211</u>	<u>847,112</u>	<u>118,099</u>
Park operations and development:				
Personnel services	88,062	88,062	99,682	(11,620)
Operations and maintenance	101,410	110,454	103,650	6,804
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
	<u>204,472</u>	<u>213,516</u>	<u>218,332</u>	<u>(4,816)</u>
<b>Total parks and recreation</b>	<u>4,768,401</u>	<u>4,828,961</u>	<u>4,675,180</u>	<u>153,781</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 3

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Administration:				
Personnel services	\$ 260,867	\$ 260,867	\$ 249,178	\$ 11,689
Operations and maintenance	<u>262,351</u>	<u>264,359</u>	<u>234,378</u>	<u>29,981</u>
	<u>523,218</u>	<u>525,226</u>	<u>483,556</u>	<u>41,670</u>
Accounting:				
Personnel services	615,481	615,481	602,309	13,172
Operations and maintenance	<u>36,400</u>	<u>44,446</u>	<u>38,415</u>	<u>6,031</u>
	<u>651,881</u>	<u>659,927</u>	<u>640,724</u>	<u>19,203</u>
Revenue:				
Personnel services	267,856	267,856	226,684	41,172
Operations and maintenance	<u>74,800</u>	<u>71,300</u>	<u>66,241</u>	<u>5,059</u>
	<u>342,656</u>	<u>339,156</u>	<u>292,925</u>	<u>46,231</u>
Procurement:				
Personnel services	115,710	115,710	109,190	6,520
Operations and maintenance	<u>5,700</u>	<u>7,866</u>	<u>6,222</u>	<u>1,644</u>
	<u>121,410</u>	<u>123,576</u>	<u>115,412</u>	<u>8,164</u>
<b>Total finance</b>	<u>1,639,165</u>	<u>1,647,885</u>	<u>1,532,617</u>	<u>115,268</u>
Community development:				
Administration:				
Personnel services	1,553,544	1,643,544	1,637,525	6,019
Operations and maintenance	<u>66,700</u>	<u>288,855</u>	<u>149,271</u>	<u>139,584</u>
	<u>1,620,244</u>	<u>1,932,399</u>	<u>1,786,796</u>	<u>145,603</u>
Community inspections:				
Personnel services	272,485	254,985	154,673	100,312
Operations and maintenance	<u>9,600</u>	<u>9,600</u>	<u>5,861</u>	<u>3,739</u>
	<u>282,085</u>	<u>264,585</u>	<u>160,534</u>	<u>104,051</u>
<b>Total community development</b>	<u>1,902,329</u>	<u>2,196,984</u>	<u>1,947,330</u>	<u>249,654</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 4

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Police:</b>				
Field operations:				
Personnel services	\$ 5,118,391	\$ 5,118,391	\$ 5,026,848	\$ 91,543
Operations and maintenance	151,200	165,200	172,847	(7,647)
Capital outlay	<u>237,900</u>	<u>242,200</u>	<u>241,011</u>	<u>1,189</u>
	<u>5,507,491</u>	<u>5,525,791</u>	<u>5,440,706</u>	<u>85,085</u>
Support services:				
Personnel services	4,038,546	4,033,546	4,162,243	(128,697)
Operations and maintenance	583,100	631,540	547,983	83,557
Capital outlay	<u>26,300</u>	<u>80,961</u>	<u>71,834</u>	<u>9,127</u>
	<u>4,647,946</u>	<u>4,746,047</u>	<u>4,782,060</u>	<u>(36,013)</u>
<b>Total police</b>	<u>10,155,437</u>	<u>10,271,838</u>	<u>10,222,766</u>	<u>49,071</u>
<b>Public Works:</b>				
Administration:				
Personnel services	908,128	902,128	745,821	156,307
Operations and maintenance	<u>27,129</u>	<u>26,955</u>	<u>13,598</u>	<u>13,357</u>
	<u>935,257</u>	<u>929,083</u>	<u>759,419</u>	<u>169,664</u>
Engineering:				
Personnel services	585,074	585,074	591,467	(6,393)
Operations and maintenance	<u>102,400</u>	<u>124,971</u>	<u>71,439</u>	<u>53,532</u>
	<u>687,474</u>	<u>710,045</u>	<u>662,906</u>	<u>47,139</u>
Program management:				
Personnel services	222,916	222,916	207,241	15,675
Operations and maintenance	<u>5,400</u>	<u>5,400</u>	<u>125</u>	<u>5,275</u>
	<u>228,316</u>	<u>228,316</u>	<u>207,366</u>	<u>20,950</u>
Building inspections:				
Personnel services	512,158	512,158	411,013	101,145
Operations and maintenance	<u>81,800</u>	<u>84,077</u>	<u>103,201</u>	<u>(19,124)</u>
	<u>593,958</u>	<u>596,235</u>	<u>514,214</u>	<u>82,021</u>
Building maintenance:				
Personnel services	551,200	551,200	566,246	(15,046)
Operations and maintenance	791,800	861,474	863,818	(2,344)
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>39,719</u>	<u>281</u>
	<u>1,383,000</u>	<u>1,452,674</u>	<u>1,469,783</u>	<u>(17,109)</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 5

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 686,294	\$ 686,294	\$ 687,948	\$ (1,654)
Operations and maintenance	<u>257,400</u>	<u>260,710</u>	<u>318,931</u>	<u>(58,221)</u>
	<u>943,694</u>	<u>947,004</u>	<u>1,006,879</u>	<u>(59,875)</u>
Street maintenance:				
Personnel services	693,683	693,683	537,998	155,685
Operations and maintenance	941,600	1,526,208	1,141,258	384,950
Capital outlay	<u>68,000</u>	<u>53,182</u>	<u>53,183</u>	<u>(1)</u>
	<u>1,703,283</u>	<u>2,273,073</u>	<u>1,732,439</u>	<u>540,634</u>
Refuse/recycling:				
Personnel services	898,911	888,182	826,087	62,095
Operations and maintenance	537,600	579,817	592,192	(12,375)
Capital outlay	<u>263,000</u>	<u>306,596</u>	<u>-</u>	<u>306,596</u>
	<u>1,699,511</u>	<u>1,774,595</u>	<u>1,418,279</u>	<u>356,316</u>
Vehicle and equipment maintenance:				
Personnel services	856,220	856,220	759,528	96,692
Operations and maintenance	294,150	321,030	403,022	(81,992)
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>74,853</u>	<u>147</u>
	<u>1,225,370</u>	<u>1,252,250</u>	<u>1,237,403</u>	<u>14,847</u>
Traffic engineering:				
Personnel services	219,947	219,947	193,528	26,419
Operations and maintenance	112,770	295,819	208,100	87,719
Capital outlay	<u>60,000</u>	<u>54,516</u>	<u>54,516</u>	<u>-</u>
	<u>392,717</u>	<u>570,282</u>	<u>456,144</u>	<u>114,138</u>
Right of way inspections:				
Personnel services	288,360	288,360	297,054	(8,694)
Operations and maintenance	<u>10,700</u>	<u>10,352</u>	<u>5,881</u>	<u>4,471</u>
	<u>299,060</u>	<u>298,712</u>	<u>302,935</u>	<u>(4,223)</u>
<b>Total public works</b>	<u>10,091,640</u>	<u>11,032,269</u>	<u>9,767,767</u>	<u>1,264,504</u>



TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 6

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants and contingency:				
Operations	\$ 34,000	\$ 44,681	\$ 69,523	\$ (24,842)
<b>Total grants and contingency</b>	<u>34,000</u>	<u>44,681</u>	<u>69,523</u>	<u>(24,842)</u>
Debt service:				
Principal	1,865,608	1,865,608	1,344,287	521,321
Interest and fiscal charges	<u>343,557</u>	<u>343,557</u>	<u>457,264</u>	<u>(113,707)</u>
<b>Total debt service</b>	<u>2,209,165</u>	<u>2,209,165</u>	<u>1,801,551</u>	<u>407,614</u>
Other financing uses:				
Transfers out	<u>1,025,000</u>	<u>985,000</u>	<u>981,498</u>	<u>3,502</u>
<b>Total other financing sources (uses)</b>	<u>1,025,000</u>	<u>985,000</u>	<u>981,498</u>	<u>3,502</u>
<b>Total General Fund expenditures</b>	<u>\$ 36,216,231</u>	<u>\$ 37,722,176</u>	<u>\$ 35,188,980</u>	<u>\$ 2,533,197</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-6

**GOVERNMENTAL FUND TYPE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**CAPITAL PROJECTS FUND AND INFORMATION SYSTEMS IMPROVEMENT FUND**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 220,000	\$ 30,000	\$ 214,840	\$ 184,840
Miscellaneous	-	-	226,353	226,353
Intergovernmental	<u>5,105,000</u>	<u>5,295,000</u>	<u>1,578,289</u>	<u>(3,716,711)</u>
<b>Total revenues</b>	<u>5,325,000</u>	<u>5,325,000</u>	<u>2,019,482</u>	<u>(3,305,518)</u>
Capital Outlay:				
Parks and recreation	55,000	264,619	-	264,619
Police	192,000	192,000	164,015	27,985
Public works:				
Buildings and grounds	-	952,721	457,667	495,054
Streets, sidewalks and trails	6,103,000	26,448,772	1,016,539	25,432,233
Other infrastructure	190,000	444,561	12,456	432,105
Information systems improvements	<u>135,000</u>	<u>349,725</u>	<u>104,512</u>	<u>245,213</u>
<b>Total expenditures</b>	<u>6,675,000</u>	<u>28,652,398</u>	<u>1,755,189</u>	<u>26,897,209</u>
<b>Revenues under expenditures</b>	<u>(1,350,000)</u>	<u>(23,327,398)</u>	<u>264,293</u>	<u>23,591,691</u>
Other financing sources:				
Issuance of debt	525,000	525,000	3,531,231	3,006,231
Insurance recoveries	-	118,311	118,311	-
Transfers in	<u>825,000</u>	<u>825,000</u>	<u>781,498</u>	<u>(43,502)</u>
<b>Total other financing sources</b>	<u>1,350,000</u>	<u>1,468,311</u>	<u>4,431,040</u>	<u>2,962,729</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (21,859,087)</u>	<u>\$ 4,695,333</u>	<u>\$ 26,554,420</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-7

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 WATER AND SEWER FUND  
 Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues:</b>			
Sale of water	\$ 2,856,000	\$ 2,884,971	\$ 28,971
Sewer service charges	3,592,000	3,554,644	(37,356)
Late payment charges	63,000	64,401	1,401
Sale of commodities	11,000	17,042	6,042
Rents and leases	370,000	373,451	3,451
Miscellaneous	314,000	28,311	(285,689)
<b>Total operating revenues</b>	<b>7,206,000</b>	<b>6,922,820</b>	<b>(283,180)</b>
<b>Operating expenses:</b>			
Finance	266,227	245,994	20,233
Water main maintenance	2,050,262	2,161,809	(111,547)
Sewer service charge	3,975,963	3,853,917	122,046
Contractual services	540,900	535,497	5,403
<b>Nondepartmental:</b>			
Depreciation and amortization	-	973,888	(973,888)
Miscellaneous	37,600	33,277	4,323
<b>Total operating expenses</b>	<b>6,870,952</b>	<b>7,804,382</b>	<b>(933,430)</b>
<b>Operating income (loss)</b>	<b>335,048</b>	<b>(881,562)</b>	<b>(1,216,610)</b>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	137,000	298,486	161,486
Availability fees	2,921,900	649,648	(2,272,252)
Proceeds from bond issuance	6,662,500	-	(6,662,500)
Bond issuance costs	(162,500)	(286,184)	(123,684)
Gain on disposal of capital assets	1,000	11,115	10,115
<b>Total nonoperating revenues, net</b>	<b>9,559,900</b>	<b>673,065</b>	<b>(8,886,835)</b>
<b>Change in net position</b>	<b>\$ 9,894,948</b>	<b>(208,497)</b>	<b>\$ (10,103,445)</b>
Total net position, July 1		22,890,170	
Total net position, June 30		\$ 22,681,673	

TOWN OF HERNDON, VIRGINIA

Exhibit B-8

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 GOLF COURSE FUND  
 Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Rents and leases	\$ 40,100	\$ 40,533	\$ 433
Greens fees	982,500	960,271	(22,229)
Golf cart revenue	283,600	282,505	(1,095)
Golf pro shop sales	64,300	66,738	2,438
Driving range fees	71,300	80,472	9,172
Miscellaneous	<u>22,531</u>	<u>18,553</u>	<u>(3,978)</u>
<b>Total operating revenues</b>	<u>1,464,331</u>	<u>1,449,072</u>	<u>(15,259)</u>
Operating expenses:			
Golf course operations	724,095	663,390	60,705
Golf course club house	635,010	525,273	109,737
Nondepartmental:			
Depreciation and amortization	-	237,689	(237,689)
Miscellaneous	<u>57,700</u>	<u>55,587</u>	<u>2,113</u>
<b>Total operating expenses</b>	<u>1,416,805</u>	<u>1,481,939</u>	<u>(65,134)</u>
<b>Operating income (loss)</b>	<u>47,526</u>	<u>(32,867)</u>	<u>(80,393)</u>
Nonoperating revenues (expenses):			
Investment earnings, net	14,600	23,897	9,297
Interest expense	<u>(44,400)</u>	<u>(21,066)</u>	<u>23,334</u>
<b>Total nonoperating revenues (expenses), net</b>	<u>(29,800)</u>	<u>2,831</u>	<u>32,631</u>
<b>Income (loss)</b>	<u>17,726</u>	<u>(30,036)</u>	<u>(47,762)</u>
<b>Change in net position</b>	<u>\$ 17,726</u>	<u>(30,036)</u>	<u>\$ (47,762)</u>
Total net position, July 1		<u>2,833,653</u>	
Total net position, June 30		<u>\$ 2,803,617</u>	

TOWN OF HERNDON, VIRGINIA

Exhibit B-9

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 CHESTNUT GROVE CEMETERY FUND  
 Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Cemetery sites	\$ 454,900	\$ 460,270	\$ 5,370
Interment services	220,200	220,460	260
Merchandise sales	145,000	224,425	79,425
Miscellaneous	<u>43,283</u>	<u>60,405</u>	<u>17,122</u>
<b>Total operating revenues</b>	<u>863,383</u>	<u>965,560</u>	<u>102,177</u>
Operating expenses:			
Cemetery operations	568,275	530,064	38,211
Nondepartmental:			
Depreciation and amortization	-	117,921	(117,921)
Miscellaneous	<u>23,100</u>	<u>22,722</u>	<u>378</u>
<b>Total operating expenses</b>	<u>591,375</u>	<u>670,707</u>	<u>(79,332)</u>
<b>Operating income</b>	<u>272,008</u>	<u>294,853</u>	<u>22,845</u>
Nonoperating revenues (expenses):			
Investment earnings	6,000	17,303	11,303
Interest expense	(28,700)	(33,228)	(4,528)
Gain / (loss) on sale of capital assets	<u>-</u>	<u>1,789</u>	<u>1,789</u>
<b>Total nonoperating revenues (expenses), net</b>	<u>(22,700)</u>	<u>(14,136)</u>	<u>8,564</u>
<b>Income before transfers</b>	249,308	280,717	31,409
Transfers in	25,500	64,852	39,352
Transfers out	<u>(45,490)</u>	<u>(46,027)</u>	<u>(537)</u>
<b>Change in net position</b>	<u>\$ 229,318</u>	299,542	<u>\$ 70,224</u>
Total net position, July 1		<u>1,627,896</u>	
Total net position, June 30		<u>\$ 1,927,438</u>	

TOWN OF HERNDON, VIRGINIA

Exhibit B-10

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 DOWNTOWN PARKING FUND  
 Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Miscellaneous	\$ 26,900	\$ 118,554	\$ 91,654
<b>Total operating revenues</b>	<u>26,900</u>	<u>118,554</u>	<u>91,654</u>
Operating expenses:			
Downtown parking	258,900	33,697	225,203
Depreciation and amortization	-	4,307	(4,307)
<b>Total operating expenses</b>	<u>258,900</u>	<u>38,004</u>	<u>220,896</u>
<b>Operating income (loss)</b>	<u>(232,000)</u>	<u>80,550</u>	<u>312,550</u>
Nonoperating revenues (expenses):			
Investment earnings	3,800	29,538	25,738
Bond issuance costs	(25,000)	(43,359)	(18,359)
Interest expense	-	(29,425)	(29,425)
<b>Total nonoperating revenues</b>	<u>(21,200)</u>	<u>(43,246)</u>	<u>(22,046)</u>
<b>Income (loss) before transfers</b>	<u>(253,200)</u>	<u>37,304</u>	<u>290,504</u>
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>-</u>
<b>Change in net position</b>	<u>\$ (53,200)</u>	<u>237,304</u>	<u>\$ 290,504</u>
Total net position, July 1		<u>5,019,264</u>	
Total net position, June 30		<u>\$ 5,256,568</u>	



[www.herndon-va.gov](http://www.herndon-va.gov)

## **STATISTICAL SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK



**TOWN OF HERNDON, VIRGINIA  
STATISTICAL SECTION**

**TABLE OF CONTENTS**

This part of the Town of Herndon’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

**Contents**

***Financial Trends – Tables 1 – 4***

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time. .... 100-106

***Revenue Capacity – Tables 5 – 9***

These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax, as well as other revenue sources. .... 107-111

***Debt Capacity – Tables 10 – 13***

These tables present information to help the reader assess the affordability of the town’s current level of outstanding debt and the town’s ability to issue additional debt in the future. .... 112-115

***Demographic and Economic Information – Tables 14 – 15***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place... 116-117

***Operating Information – Tables 16 – 18***

These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and activities it performs..... 118-121

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF HERNDON, VIRGINIA

Table 1

**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 72,888,823	\$ 71,869,483	\$ 70,770,618	\$ 67,773,944	\$ 66,964,850	\$ 69,544,673	\$ 70,494,388	\$ 71,246,008	\$ 71,885,582	\$ 70,826,382
Restricted	1,331,216	-	-	3,156,244	3,156,490	2,400,979	3,985,488	1,618,442	2,132,077	2,542,708
Unrestricted	11,136,298	12,710,197	13,453,945	12,982,159	13,031,542	5,849,529	7,336,877	8,499,347	10,633,283	14,016,685
<b>Total governmental activities net position</b>	<b>\$ 85,356,337</b>	<b>\$ 84,579,680</b>	<b>\$ 84,224,563</b>	<b>\$ 83,912,347</b>	<b>\$ 83,152,882</b>	<b>\$ 77,795,181</b>	<b>\$ 81,816,753</b>	<b>\$ 81,363,797</b>	<b>\$ 84,650,942</b>	<b>\$ 87,385,775</b>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 14,723,720	\$ 15,029,325	\$ 14,333,960	\$ 14,277,687	\$ 14,409,510	\$ 14,601,815	\$ 16,773,326	\$ 16,771,452	\$ 16,649,854	\$ 16,512,129
Restricted								151,114	161,671	172,116
Unrestricted	15,190,726	14,896,236	15,810,683	15,838,128	17,747,172	17,347,462	15,399,987	14,653,463	15,559,458	15,985,051
<b>Total business-type activities net position</b>	<b>\$ 29,914,446</b>	<b>\$ 29,925,561</b>	<b>\$ 30,144,643</b>	<b>\$ 30,115,815</b>	<b>\$ 32,156,682</b>	<b>\$ 31,949,277</b>	<b>\$ 32,173,313</b>	<b>\$ 31,576,029</b>	<b>\$ 32,370,983</b>	<b>\$ 32,669,296</b>
<b>Primary government:</b>										
Net investment in capital assets	\$ 87,612,543	\$ 86,898,808	\$ 85,104,578	\$ 82,051,631	\$ 81,374,360	\$ 84,146,488	\$ 87,267,714	\$ 88,017,460	\$ 88,535,436	\$ 87,338,511
Restricted	1,331,216	-	-	3,156,244	3,156,490	2,400,979	3,985,488	1,769,556	2,293,748	2,714,824
Unrestricted	26,327,024	27,606,433	29,264,628	28,820,287	30,778,714	23,196,991	22,736,864	23,152,810	26,192,741	30,001,736
<b>Total primary government net position</b>	<b>\$ 115,270,783</b>	<b>\$ 114,505,241</b>	<b>\$ 114,369,206</b>	<b>\$ 114,028,162</b>	<b>\$ 115,309,564</b>	<b>\$ 109,744,458</b>	<b>\$ 113,990,066</b>	<b>\$ 112,939,826</b>	<b>\$ 117,021,925</b>	<b>\$ 120,055,071</b>

Source:  
Town of Herndon Finance Department - Exhibit A-1

- Notes:
- (1) Beginning in Fiscal Year 2011, the town reclassified the Cemetery Perpetual Care Fund to unrestricted.
  - (2) Fiscal Year 2014 net position was restated for the implementation of GASB Statement No. 68 which reduced net position by \$7,812,196.
  - (3) Fiscal Year 2016 unrestricted net position was restated by \$726,240 due to the recognition of various fees (Lateral Sewer fees, Stormwater fees, and BPOL reserve) previously reported as deferred or unearned. net position by \$7,812,196.
  - (4) Fiscal Year 2017 net position was restated for the implementation of GASB Statement No. 75 which reduced net position by \$2,059,806.

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses:</b>										
Governmental activities:										
Legislative	\$ 633,438	\$ 623,912	\$ 583,204	\$ 640,816	\$ 627,221	\$ 602,274	\$ 677,277	\$ 745,753	\$ 706,048	\$ 734,671
Administration	2,164,235	2,259,326	2,644,089	2,744,129	4,043,656	2,965,744	2,691,531	3,304,796	3,017,512	3,093,764
Town attorney	532,305	587,992	475,518	497,761	539,332	522,777	556,236	606,758	612,209	612,349
Parks and recreation	4,310,670	4,363,722	4,359,512	4,608,079	4,659,976	4,732,787	4,839,122	5,012,560	4,879,803	5,280,626
Finance	1,288,960	1,215,584	1,291,803	1,379,724	1,320,493	1,321,326	1,485,207	1,492,031	1,710,148	1,501,718
Community development	2,353,844	2,346,085	2,138,936	2,127,055	1,980,462	1,804,660	1,682,901	1,672,244	1,699,935	1,896,791
Police	9,009,339	8,548,326	8,834,312	9,465,667	9,548,043	9,174,389	10,021,992	10,079,277	10,242,016	10,390,551
Public works	10,817,176	10,493,058	11,861,291	11,488,561	11,530,515	11,501,379	11,665,946	12,594,496	11,337,194	11,598,171
Interest	765,523	807,330	938,843	533,155	443,213	511,089	287,036	258,075	257,963	491,896
<b>Total governmental activities</b>	<b>31,875,490</b>	<b>31,245,335</b>	<b>33,127,508</b>	<b>33,484,947</b>	<b>34,692,911</b>	<b>33,136,425</b>	<b>33,907,248</b>	<b>35,765,990</b>	<b>34,462,828</b>	<b>35,600,537</b>
Business-type activities:										
Water and sewer	6,615,960	6,715,723	7,173,978	7,064,425	7,589,406	6,869,506	7,044,675	7,606,887	6,999,142	8,090,566
Golf course	1,561,787	1,476,713	1,531,506	1,595,145	1,554,011	1,567,919	1,506,117	1,559,749	1,572,043	1,503,005
Chestnut Grove cemetery	714,927	698,361	686,962	729,837	707,836	697,207	710,164	708,383	668,944	703,935
Downtown parking	44,814	77,374	29,473	29,390	32,945	28,283	72,623	111,913	133,985	110,788
<b>Total business-type activities</b>	<b>8,937,488</b>	<b>8,968,171</b>	<b>9,421,919</b>	<b>9,418,797</b>	<b>9,884,198</b>	<b>9,162,915</b>	<b>9,333,579</b>	<b>9,986,932</b>	<b>9,374,114</b>	<b>10,408,294</b>
<b>Total government expenses</b>	<b>40,812,978</b>	<b>40,213,506</b>	<b>42,549,427</b>	<b>42,903,744</b>	<b>44,577,109</b>	<b>42,299,340</b>	<b>43,240,827</b>	<b>45,752,922</b>	<b>43,836,942</b>	<b>46,008,831</b>
<b>Program revenue:</b>										
Governmental activities:										
Charges for services:										
Administration	12,827	28,242	20,573	19,606	34,762	24,327	9,675	41,075	35,976	6,892
Parks and recreation	2,720,621	2,848,308	2,837,304	2,826,309	2,762,453	2,785,759	2,710,943	2,767,730	2,767,916	2,873,136
Finance	442,880	465,020	488,270	512,690	533,200	549,600	560,500	571,700	588,333	588,333
Police	544,060	543,607	583,820	498,279	469,812	543,901	447,552	397,691	430,685	460,288
Public works	495,331	498,571	421,503	687,130	646,287	634,681	762,796	710,671	749,504	1,208,825
Operating grants and contributions:										
Administration	112,141	114,732	29,348	-	-	-	-	-	-	-
Community development	130,958	87,289	129,380	130,823	130,000	130,000	40,000	40,000	40,000	40,000
Police	954,847	898,306	707,317	627,749	751,934	671,045	666,752	707,588	864,195	745,352
Public works	1,097,785	864,727	806,055	890,712	862,301	936,748	953,146	1,178,505	1,046,761	1,080,054
Capital grants and contributions:										
Police	-	5,000	-	-	-	-	-	-	-	-
Public works	1,645,234	1,233,410	2,570,040	1,881,507	1,610,482	1,955,113	3,244,961	2,168,349	2,765,821	2,658,343
<b>Total governmental activities program revenue</b>	<b>8,156,684</b>	<b>7,587,212</b>	<b>8,593,610</b>	<b>8,074,805</b>	<b>7,801,231</b>	<b>8,231,174</b>	<b>9,396,325</b>	<b>8,583,309</b>	<b>9,289,191</b>	<b>9,661,223</b>

TOWN OF HERNDON, VIRGINIA

Table 2  
Page 2

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS (1)  
(accrual basis of accounting)  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Program revenues (Continued):</b>										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 5,667,631	\$ 5,928,243	\$ 6,207,789	\$ 6,285,282	\$ 6,445,760	\$ 6,303,140	\$ 6,127,359	\$ 6,506,438	\$ 6,935,184	\$ 7,170,706
Golf course	1,396,993	1,279,442	1,419,051	1,392,960	1,365,597	1,309,211	1,401,722	1,497,289	1,372,186	1,389,986
Chestnut Grove cemetery	568,783	596,106	639,107	695,230	806,521	725,182	783,598	890,165	967,731	905,155
Downtown parking	-	-	-	-	-	-	-	26,903	-	-
Capital grants and contributions:										
Water and sewer	78,291	314,121	50,512	119,085	-	-	-	-	-	-
Golf course	-	-	-	61,160	154,239	16,670	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>7,711,698</b>	<b>8,117,912</b>	<b>8,316,459</b>	<b>8,553,717</b>	<b>8,772,117</b>	<b>8,354,203</b>	<b>8,312,679</b>	<b>8,920,795</b>	<b>9,275,101</b>	<b>9,465,847</b>
<b>Total government program revenues</b>	<b>15,868,382</b>	<b>15,705,124</b>	<b>16,910,069</b>	<b>16,628,522</b>	<b>16,573,348</b>	<b>16,585,377</b>	<b>17,709,004</b>	<b>17,504,104</b>	<b>18,564,292</b>	<b>19,127,070</b>
<b>Net (expense) revenue:</b>										
Governmental activities	(23,718,806)	(23,658,123)	(24,533,898)	(25,410,142)	(26,891,680)	(24,905,251)	(24,510,923)	(27,182,681)	(25,173,637)	(25,939,314)
Business-type activities	(1,225,790)	(850,259)	(1,105,460)	(865,080)	(1,112,081)	(808,712)	(1,020,900)	(1,066,137)	(99,013)	(942,447)
<b>Total government net expense</b>	<b>(24,944,596)</b>	<b>(24,508,382)</b>	<b>(25,639,358)</b>	<b>(26,275,222)</b>	<b>(28,003,761)</b>	<b>(25,713,963)</b>	<b>(25,531,823)</b>	<b>(28,248,818)</b>	<b>(25,272,650)</b>	<b>(26,881,761)</b>
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
Taxes:										
General property	10,417,959	9,117,669	9,484,072	10,153,920	10,482,821	10,963,925	11,040,763	11,218,438	11,416,010	11,690,750
Business license	3,395,732	3,788,311	3,928,098	4,481,963	4,750,718	4,860,528	4,868,291	5,569,516	5,732,161	4,930,755
Transient occupancy	2,202,096	2,212,811	2,235,969	2,088,149	2,091,900	2,187,198	2,169,852	2,199,410	2,286,397	2,345,943
Meals	1,086,649	1,154,577	1,991,460	2,008,529	2,046,307	2,121,519	2,173,102	2,215,677	2,266,761	2,308,551
Local sales	1,413,606	1,488,959	1,601,032	1,668,325	1,703,517	1,848,993	1,871,189	1,798,728	1,818,023	1,871,909
Other local taxes	4,013,468	2,317,896	2,264,521	2,195,384	2,258,268	2,300,406	2,290,371	2,393,966	2,361,383	2,293,183
Revenues not restricted to specific programs	92,844	193,634	-	82,940	85,328	87,940	90,539	93,362	102,243	66,330
Intergovernmental, non-categorical aid	29,026	1,827,856	1,790,631	1,957,744	1,937,785	1,815,751	1,868,193	2,067,279	1,583,697	1,482,539
Use of money and property	1,216,859	725,320	899,551	451,965	1,111,136	801,986	1,027,152	909,502	688,957	1,355,800
Gain on sale of capital assets	-	-	-	-	-	-	14,927	-	-	65,954
Miscellaneous and lease income	144,995	64,412	201,030	184,899	1,984,086	77,560	708,184	206,101	350,137	481,258
Transfers	(28,468)	(9,979)	(217,583)	(175,892)	(2,109,986)	(386,638)	(174,904)	(155,593)	(144,987)	(218,825)
<b>Total governmental activities</b>	<b>23,984,766</b>	<b>22,881,466</b>	<b>24,178,781</b>	<b>25,097,926</b>	<b>26,341,880</b>	<b>26,679,168</b>	<b>27,947,659</b>	<b>28,516,386</b>	<b>28,460,782</b>	<b>28,674,147</b>

TOWN OF HERNDON, VIRGINIA

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited)**

**Table 2  
Page 3**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General revenues and other changes in net position: (Continued)</b>										
Business-type activities:										
Use of money and property	\$ 835,100	\$ 291,614	\$ 547,645	\$ 80,894	\$ 487,345	\$ 276,557	\$ 325,396	\$ 68,405	\$ 132,979	\$ 369,224
Gain on sale of capital assets	-	-	-	-	-	-	-	6,370	33,556	12,904
Miscellaneous	491,843	559,781	559,314	579,466	615,068	618,690	603,232	511,630	582,445	639,807
Transfers	28,468	9,979	217,583	175,892	2,109,986	386,638	174,904	155,593	144,987	218,825
<b>Total business-type activities</b>	<b>1,355,411</b>	<b>861,374</b>	<b>1,324,542</b>	<b>836,252</b>	<b>3,212,399</b>	<b>1,281,885</b>	<b>1,103,532</b>	<b>741,998</b>	<b>893,967</b>	<b>1,240,760</b>
<b>Total primary government</b>	<b>25,340,177</b>	<b>23,742,840</b>	<b>25,503,323</b>	<b>25,934,178</b>	<b>29,554,279</b>	<b>27,961,053</b>	<b>29,051,191</b>	<b>29,258,384</b>	<b>29,354,749</b>	<b>29,914,907</b>
<b>Changes in net position:</b>										
Governmental activities	265,960	(776,657)	(355,117)	(312,216)	(549,800)	1,773,917	3,436,736	1,333,705	3,287,145	2,734,833
Business-type activities	129,621	11,115	219,082	(28,828)	2,100,318	473,173	82,632	(324,139)	794,954	298,313
<b>Total primary government</b>	<b>\$ 395,581</b>	<b>\$ (765,542)</b>	<b>\$ (136,035)</b>	<b>\$ (341,044)</b>	<b>\$ 1,550,518</b>	<b>\$ 2,247,090</b>	<b>\$ 3,519,368</b>	<b>\$ 1,009,566</b>	<b>\$ 4,082,099</b>	<b>\$ 3,033,146</b>

Source:  
Town of Herndon Finance Department - Exhibit A-2

Note:  
(1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues, and the revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

TOWN OF HERNDON, VIRGINIA

Table 3

**FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Nonspendable	\$ 521,699	\$ 465,104	\$ 437,038	\$ 396,781	\$ 319,403	\$ 274,029	\$ 291,196	\$ 338,093	\$ 252,186	\$ 211,510
Restricted	-	-	-	-	-	3,716	3,170	3,228	310,000	-
Committed	-	-	200,000	400,000	600,000	800,000	1,000,000	1,200,000	1,400,000	-
Assigned	1,330,286	1,447,107	1,275,540	1,478,176	1,494,774	2,108,853	2,898,995	2,859,002	2,869,397	5,581,134
Unassigned	5,830,035	6,269,345	6,899,792	7,109,184	8,164,509	8,454,408	9,084,025	9,345,836	10,196,779	10,537,670
<b>Total General Fund</b>	<b>\$ 7,682,020</b>	<b>\$ 8,181,556</b>	<b>\$ 8,812,370</b>	<b>\$ 9,384,141</b>	<b>\$ 10,578,686</b>	<b>\$ 11,641,006</b>	<b>\$ 13,277,386</b>	<b>\$ 13,746,159</b>	<b>\$ 15,028,362</b>	<b>\$ 16,330,314</b>
All Other Governmental Funds:										
Nonspendable	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Restricted	-	-	1,401,996	4,600,626	4,654,446	3,935,728	4,019,354	1,764,513	2,132,077	6,073,939
Committed	1,331,216	1,364,493	-	-	-	-	-	-	-	-
Assigned	8,714,791	9,094,285	9,073,286	5,466,901	5,045,594	3,252,034	3,942,806	6,510,193	6,335,363	6,944,452
Unassigned	-	-	-	-	-	-	(16,879)	(330,872)	(206,498)	-
<b>Total all other governmental funds</b>	<b>\$ 10,046,007</b>	<b>\$ 10,458,778</b>	<b>\$ 10,475,682</b>	<b>\$ 10,067,527</b>	<b>\$ 9,700,040</b>	<b>\$ 7,187,762</b>	<b>\$ 7,970,281</b>	<b>\$ 7,968,834</b>	<b>\$ 8,285,942</b>	<b>\$ 13,043,391</b>

Source:  
Town of Herndon Finance Department - Exhibit A-3

Note:  
(1) In Fiscal Year 2011, the town adopted GASB 54 which changed fund balance classifications. Fiscal Years 2009 and 2010 are restated to reflect the new classifications.

TOWN OF HERNDON, VIRGINIA

Table 4

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
General property taxes	\$ 10,397,197	\$ 9,121,061	\$ 9,469,904	\$ 10,166,799	\$ 10,500,239	\$ 10,970,320	\$ 11,029,513	\$ 11,214,419	\$ 11,367,365	\$ 11,691,186
Other local taxes	12,111,551	10,962,554	12,021,080	12,442,350	12,850,710	13,318,644	13,372,805	14,177,297	14,463,451	13,750,341
Permits, privilege fees and regulatory licenses	398,453	394,406	307,471	576,155	532,695	522,048	630,218	559,488	603,773	1,057,412
Fines and forfeitures	546,486	525,648	586,607	491,067	632,491	547,939	463,312	423,335	452,965	485,008
Use of money and property	1,216,859	725,320	899,551	451,965	1,111,136	801,986	1,027,152	909,502	688,957	1,355,800
Charges for services	3,344,974	3,540,621	3,553,684	3,550,572	3,525,332	3,556,221	3,488,475	3,599,406	3,619,194	3,662,069
Miscellaneous	122,619	45,613	173,216	156,708	33,485	77,560	708,184	206,101	350,137	258,073
Intergovernmental	3,036,075	4,914,716	5,601,971	5,020,623	5,338,235	5,508,657	6,773,052	6,161,721	6,300,473	6,006,287
<b>Total revenues</b>	<b>31,174,214</b>	<b>30,229,939</b>	<b>32,613,484</b>	<b>32,856,239</b>	<b>34,524,323</b>	<b>35,303,375</b>	<b>37,492,711</b>	<b>37,251,269</b>	<b>37,846,315</b>	<b>38,266,176</b>
<b>Expenditures:</b>										
Legislative	621,490	621,830	574,002	633,519	622,325	626,639	654,549	698,951	699,202	713,209
Administration	1,794,756	1,875,307	2,039,372	2,249,139	2,319,175	2,457,281	2,582,772	3,131,313	2,863,707	3,006,360
Town attorney	533,800	580,099	465,714	494,245	535,633	545,434	476,792	476,844	489,362	471,179
Parks and recreation	3,588,867	3,637,139	3,615,552	3,851,099	3,985,756	4,055,755	4,136,245	4,288,848	4,449,527	4,675,180
Finance	1,237,706	1,159,375	1,236,659	1,302,849	1,267,040	1,307,771	1,427,806	1,518,192	1,716,122	1,532,617
Community development	2,258,153	2,060,965	2,069,278	2,051,139	1,891,352	1,857,171	1,598,172	1,686,329	1,736,736	1,947,330
Police	8,605,850	8,164,952	8,829,067	9,053,956	9,097,892	9,126,841	9,848,958	9,603,136	10,074,661	10,222,766
Public works	9,071,074	8,460,778	8,534,908	9,172,971	9,453,015	9,512,357	10,014,006	10,735,437	10,239,065	9,767,767
Grants	112,375	56,077	52,544	38,171	102,305	26,042	46,618	74,628	151,977	69,523
Capital outlay	1,713,889	1,117,577	2,313,599	1,699,472	2,242,162	4,805,785	3,296,422	3,040,310	3,109,930	1,755,189
Debt service:										
Principal	1,804,517	1,755,837	1,458,640	1,505,093	1,540,720	1,681,126	1,102,539	1,090,629	1,256,739	1,344,287
Interest and fiscal charges	808,155	838,530	695,817	494,954	481,073	573,790	313,792	283,733	283,989	457,264
<b>Total expenditures</b>	<b>32,150,632</b>	<b>30,328,466</b>	<b>31,885,152</b>	<b>32,546,607</b>	<b>33,538,448</b>	<b>36,575,992</b>	<b>35,498,671</b>	<b>36,628,350</b>	<b>37,071,017</b>	<b>35,962,671</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(976,418)</b>	<b>(98,527)</b>	<b>728,332</b>	<b>309,632</b>	<b>985,875</b>	<b>(1,272,617)</b>	<b>1,994,040</b>	<b>622,919</b>	<b>775,298</b>	<b>2,303,505</b>
<b>Other financing sources (uses):</b>										
Transfers in	1,255,981	755,777	666,003	584,487	1,048,074	1,043,888	1,474,921	1,535,807	1,335,013	827,525
Transfers out	(1,284,449)	(765,756)	(883,586)	(760,379)	(3,158,060)	(1,430,526)	(1,649,825)	(1,691,400)	(1,480,000)	(1,046,350)
Issuance of debt	3,240,000	902,500	97,500	-	-	-	-	-	969,000	3,686,266
Proceeds of refunding bonds	-	1,766,365	4,999,000	-	-	4,032,000	-	-	-	-
Payment to refunded bond escrow agent	-	(1,760,506)	(4,986,906)	-	-	(3,822,703)	-	-	-	-
Premium (discount) on issuance debt	71,562	92,459	-	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-	-	-	222,501
Proceeds from sale of property	22,376	19,995	27,375	29,876	1,951,169	-	14,927	-	-	65,954
<b>Total other financing sources (uses), net</b>	<b>3,305,470</b>	<b>1,010,834</b>	<b>(80,614)</b>	<b>(146,016)</b>	<b>(158,817)</b>	<b>(177,341)</b>	<b>(159,977)</b>	<b>(155,593)</b>	<b>824,013</b>	<b>3,755,896</b>
<b>Net changes in fund balances</b>	<b>\$ 2,329,052</b>	<b>\$ 912,307</b>	<b>\$ 647,718</b>	<b>\$ 163,616</b>	<b>\$ 827,058</b>	<b>\$ (1,449,958)</b>	<b>\$ 1,834,063</b>	<b>\$ 467,326</b>	<b>\$ 1,599,311</b>	<b>\$ 6,059,401</b>



TOWN OF HERNDON, VIRGINIA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Debt service as a percentage of noncapital expenditures:</b>										
Total debt service	\$ 2,612,672	\$ 2,594,367	\$ 2,154,457	\$ 2,000,047	\$ 2,021,793	\$ 2,254,916	\$ 1,416,331	\$ 1,374,362	\$ 1,540,728	\$ 1,801,551
Total expenditures	\$ 32,150,632	\$ 30,328,466	\$ 31,885,152	\$ 32,546,607	\$ 33,538,448	\$ 36,575,992	\$ 35,498,671	\$ 36,628,350	\$ 37,071,017	\$ 35,962,671
Less: capital outlay	(2,115,568)	(920,817)	(1,325,046)	(1,784,169)	(2,464,081)	(4,496,172)	(3,549,414)	(3,370,996)	(3,752,903)	(1,678,206)
<b>Noncapital expenditures</b>	<b>\$ 30,035,064</b>	<b>\$ 29,407,649</b>	<b>\$ 30,560,106</b>	<b>\$ 30,762,438</b>	<b>\$ 31,074,367</b>	<b>\$ 32,079,820</b>	<b>\$ 31,949,257</b>	<b>\$ 33,257,354</b>	<b>\$ 33,318,114</b>	<b>\$ 34,284,465</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.70%</b>	<b>8.82%</b>	<b>7.05%</b>	<b>6.50%</b>	<b>6.51%</b>	<b>7.03%</b>	<b>4.43%</b>	<b>4.13%</b>	<b>4.62%</b>	<b>5.25%</b>

Source:  
Town of Herndon Finance Department - Exhibit A-5  
Exhibit A-6 for capital outlay

TOWN OF HERNDON, VIRGINIA

Table 5

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
(Unaudited)**

Fiscal Year June 30,	General Property Including Interest and Penalty	Business License	Transient Occupancy	Local Sales	Meals (1)	Cigarette (2)	Motor Vehicle	Consumer Utility and Consumption	5% Communications Sales and Use (3)	Other (4)	Total
2010	\$ 10,397,197	\$ 3,395,732	\$ 2,202,096	\$ 1,413,606	\$ 1,086,649	\$ 293,592	\$ 290,313	\$ 899,685	\$ 1,853,246	\$ 676,632	\$ 22,508,748
2011	9,121,061	3,788,311	2,212,811	1,488,959	1,154,577	390,163	373,933	884,483	-	669,317	20,083,615
2012	9,469,904	3,928,098	2,235,969	1,601,032	1,991,460	364,975	386,712	882,544	-	630,290	21,490,984
2013	10,166,799	4,481,963	2,088,149	1,668,325	2,008,529	333,869	373,415	888,993	-	599,107	22,609,149
2014	10,500,239	4,750,718	2,091,900	1,703,517	2,046,307	337,783	371,325	895,793	-	653,367	23,350,949
2015	10,970,320	4,860,528	2,187,198	1,848,993	2,121,519	323,517	365,163	891,319	-	720,407	24,288,964
2016	11,029,513	4,868,291	2,169,852	1,871,189	2,173,102	330,796	358,906	872,267	-	728,402	24,402,318
2017	11,214,419	5,569,516	2,199,410	1,798,728	2,215,677	288,484	431,639	876,765	-	797,078	25,391,716
2018	11,367,364	5,732,161	2,286,397	1,818,023	2,266,761	271,983	459,417	886,500	-	742,209	25,830,815
2019	11,691,186	4,930,755	2,345,943	1,871,909	2,308,551	254,081	461,004	888,455	-	689,643	25,441,527
Change 2010-2019	12.45%	45.20%	6.53%	32.42%	112.45%	-13.46%	58.80%	-1.25%	-100.00%	1.92%	13.03%

Source: Town of Herndon Finance Department and Exhibit B-4.

Notes:

(1) Town adopted a meals tax was 1.5 percent for the fiscal years prior to 2012. Rate was increased to 2.5 percent beginning in fiscal year 2012.

(2) Cigarette tax rate was \$0.50 per pack effective for fiscal years prior to 2011. Rate was increased to \$0.75 per pack beginning in fiscal year 2011.

(3) State communications sales and use tax became effective January 1, 2007. This tax replaced three locally assessed town taxes which are the consumer utility tax on telecommunication services, the mobile telecommunications (cell phone) tax and the 5 percent portion of the town's cable TV franchise fee. Beginning in fiscal year 2011, this tax is now accounted for as state intergovernmental revenue.

(4) Includes right of way use fees, bank stock taxes and cable TV franchise fees.

TOWN OF HERNDON, VIRGINIA

Table 6

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(Unaudited)**

Assessment Year	Residential Property	Non-Residential Property	Public Service Corporation	Exempt (Nontaxable)	Total Assessed Value (1)	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
2010	\$ 1,679,450,917	\$ 2,174,409,910	\$ 137,947,029	\$ 222,736,840	\$ 4,214,544,696	\$ 3,991,807,856	(15.64)%	\$ 0.2600	\$ 3,991,807,856	100.00%
2011	1,596,765,065	1,684,423,215	134,591,895	202,647,500	3,618,427,675	3,415,780,175	(14.43)%	0.2675	3,415,780,175	100.00%
2012	1,708,242,740	1,747,193,177	119,532,778	204,073,885	3,779,042,580	3,574,968,695	4.66%	0.2650	3,574,968,695	100.00%
2013	1,801,509,810	1,925,923,584	116,081,340	205,388,122	4,048,902,856	3,843,514,734	7.51%	0.2650	3,843,514,734	100.00%
2014	1,980,265,471	1,883,749,270	81,935,902	208,716,740	4,154,667,383	3,945,950,643	2.67%	0.2650	3,945,950,643	100.00%
2015	2,173,438,731	1,859,709,194	112,355,453	214,819,800	4,360,323,178	4,145,503,378	5.06%	0.2650	4,145,503,378	100.00%
2016	2,256,968,560	1,823,038,660	114,688,984	220,801,220	4,415,497,424	4,194,696,204	1.19%	0.2650	4,194,696,204	100.00%
2017	2,348,465,120	1,848,104,770	124,886,642	239,891,960	4,561,348,492	4,321,456,532	3.02%	0.2650	4,321,456,532	100.00%
2018	2,430,186,400	1,890,348,960	119,777,904	241,876,120	4,682,189,384	4,440,313,264	2.75%	0.2650	4,440,313,264	100.00%
2019	2,546,334,900	1,971,459,740	122,069,304	252,749,430	4,892,613,374	4,639,863,944	4.49%	0.2650	4,639,863,944	100.00%

Sources:

Town of Herndon Finance Department  
 County of Fairfax Department of Tax Administration (Real Estate Division)  
 PSC Values from the State Corporation Commission, Certified every September

Notes:

- (1) Declines in assessments noted for 2010 and 2011, especially in the residential sector, reflect the rapid decline in property values during that time for the Washington DC housing market.

**TOWN OF HERNDON, VIRGINIA**

**Table 7**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(Unaudited)**

Assessment Tax Year	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2010	\$ 0.2600	\$ -	\$ 1.0400	\$ 4.5700	\$ 1.3000	\$ 4.5700
2011	0.2675	-	1.0900	4.5700	1.3575	4.5700
2012	0.2650	-	1.0750	4.5700	1.3400	4.5700
2013	0.2650	-	1.0850	4.5700	1.3500	4.5700
2014	0.2650	-	1.0900	4.5700	1.3550	4.5700
2015	0.2650	-	1.0900	4.5700	1.3550	4.5700
2016	0.2650	-	1.1300	4.5700	1.3950	4.5700
2017	0.2650	-	1.1300	4.5700	1.3950	4.5700
2018	0.2650	-	1.1500	4.5700	1.4150	4.5700
2019	0.2650	-	1.1500	4.5700	1.4150	4.5700

Source:  
Town of Herndon Finance Department

- Notes:
- (1) These rates are per \$100 of assessed value for real estate and personal property.
  - (2) A town assessed levy on personal property ceased in fiscal year 1989.

TOWN OF HERNDON, VIRGINIA

Table 8

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Taxpayer	2019			%	2010			
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	
BP New Dominion Technology	\$ 82,755,280	1	1.86	%	\$ 113,314,110	1	2.83	%
Worldgate Centre Owner LLC	72,179,240	2	1.63		69,171,950	5	1.73	
GSG Residential Westerly AT	71,986,250	3	1.62		-	-	-	
New Dominion	69,641,190	4	1.57		88,045,660	3	2.20	
GSG Residential Townes AT	62,351,710	5	1.40		-	-	-	
Rreef America Reit II Corp VVV	61,879,670	6	1.39		65,370,460	7	1.63	
MIVPO LLC	58,616,890	7	1.32		67,250,700	6	1.68	
Worldgate Dulles LLC	48,379,940	8	1.09		-	-	-	
Dulles Suites	45,428,800	9	1.02		-	-	-	
Washreit Monument II LLC	43,820,430	10	0.99		-	-	-	
Inland America Herndon Worldgate LLC	-	-	-		98,414,490	2	2.46	
Washington Real Estate	-	-	-		70,541,220	4	1.76	
HMH Properties Inc	-	-	-		59,845,360	8	1.50	
First Herndon Associates	-	-	-		59,243,480	9	1.48	
EQR - Herndon LLC	-	-	-		53,422,750	10	1.33	
<b>Total</b>	<b>\$ 617,039,400</b>		<b>13.90</b>	<b>%</b>	<b>\$ 744,620,180</b>		<b>18.60</b>	<b>%</b>

Sources:  
Town of Herndon Finance Department  
County of Fairfax Department of Tax Administration (Real Estate Division)

**TOWN OF HERNDON, VIRGINIA**

**Table 9**

**REAL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Assessment Tax Year	Taxes Levied for the Tax Year (1)	Collected Within the Tax Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 11,001,119	\$ 10,961,629	99.64%	\$ 39,351	\$ 11,000,980	100.00%
2010	10,019,464	9,970,734	99.51%	48,730	10,019,464	100.00%
2011	8,709,325	8,657,610	99.41%	51,540	8,709,150	100.00%
2012	9,160,086	9,104,251	99.39%	55,444	9,159,695	100.00%
2013	9,880,992	9,845,894	99.64%	34,681	9,880,575	100.00%
2014	10,299,028	10,272,232	99.74%	26,796	10,299,028	100.00%
2015	10,705,433	10,674,237	99.71%	30,969	10,705,206	100.00%
2016	10,805,027	10,767,440	99.65%	36,424	10,803,864	99.99%
2017	11,019,662	10,999,443	99.82%	20,501	11,019,944	100.00%
2018	11,449,420	11,434,920	99.87%	2,098	11,437,017	99.89%

Source:  
Town of Herndon Finance Department.

Note:  
(1) Abatements and supplements which relate to prior years are recorded as revenue collections (or refunds) in year of receipt. Records do not exist which separate current fiscal year levy collections from prior tax year abatements and supplements.

TOWN OF HERNDON, VIRGINIA

Table 10

**RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	General Bonded Debt Outstanding
	General Obligation Bonds	Capital Leases and Notes	Revenue Bonds	Other Obligations				General Obligation Bonds		Debt Per Capita
2010	\$ 18,046,007	\$ 865,000	\$ 3,478,783	\$ -	\$ 22,389,790	1.45	953	\$ 18,046,007	0.45	768
2011	16,382,491	1,767,500	3,364,163	-	21,514,154	1.30	911	16,382,491	0.48	694
2012	15,388,576	1,730,000	3,166,900	-	20,285,476	1.19	861	15,388,576	0.43	653
2013	14,009,445	1,590,513	2,961,603	-	18,561,561	1.13	787	14,009,445	0.36	594
2014	12,594,199	1,451,514	2,747,420	-	16,793,133	0.98	712	12,594,199	0.32	534
2015	12,464,958	87,397	2,609,488	-	15,161,843	0.85	642	12,464,958	0.30	528
2016	11,353,283	83,158	2,355,385	-	13,791,826	0.76	583	11,353,283	0.27	480
2017	10,253,274	78,794	2,036,746	-	12,368,814	0.66	521	10,253,274	0.24	432
2018	10,031,639	-	1,771,516	-	11,803,155	0.63	496	10,031,639	0.23	421
2019	12,354,914	-	9,352,703	3,681,872	25,389,489	1.35	1,060	12,354,914	0.27	516

Source:  
Town of Herndon Finance Department

- Notes:
- (1) Details regarding the town's outstanding debt may be found in the notes to the basic financial statements.
  - (2) Population and personal income data can be found in table 14.
  - (3) See table 6 for taxable value of property.

**TOWN OF HERNDON, VIRGINIA**

**Table 11**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2019  
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt (2)
Fairfax County, Virginia	\$ 2,480,826,535	1.6931%	\$ 42,001,711
Town Direct Debt (3)			<u>12,354,914</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 54,356,625</u></u>

Sources:

County of Fairfax Finance Department and Town of Herndon Finance Department.

Notes:

(1) The estimated percentage of overlapping debt applicable is determined using taxable assessed property values. The Town of Herndon is located within the geographic boundaries of the County of Fairfax.

(2) Amounts for bonds are reported net of premiums and/or discounts.

(3) The town's direct debt is also presented in Table 10.



TOWN OF HERNDON, VIRGINIA

Table 12

**LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 385,386,083	\$ 328,121,001	\$ 345,568,950	\$ 372,773,329	\$ 386,401,474	\$ 403,314,793	\$ 408,000,722	\$ 419,656,989	\$ 432,053,536	\$ 451,779,464
Total debt applicable to limit	18,911,007	18,149,991	17,118,576	15,599,958	14,045,713	12,466,973	11,436,441	10,332,068	10,031,639	12,354,914
Available legal debt margin	<u>\$ 366,475,076</u>	<u>\$ 309,971,010</u>	<u>\$ 328,450,374</u>	<u>\$ 357,173,371</u>	<u>\$ 372,355,761</u>	<u>\$ 390,847,820</u>	<u>\$ 396,564,281</u>	<u>\$ 409,324,921</u>	<u>\$ 422,021,897</u>	<u>\$ 439,424,550</u>
Total debt applicable to the limit as a percentage of debt limit	4.91%	5.53%	4.95%	4.18%	3.64%	3.09%	2.80%	2.46%	2.32%	2.73%

**Legal Debt Margin Calculation for Fiscal Year 2019:**

Assessed value of real estate	<u>\$ 4,517,794,640</u>
Debt limit (10% of assessed value) (1)	451,779,464
Total Debt applicable to limit:	<u>12,354,914</u>
Available legal debt margin	<u>\$ 439,424,550</u>

**Summary of Outstanding Debt:**

2010 general obligation bonds	1,511,800
2010 refunding bonds	404,243
2012 refunding bonds	2,920,500
2014 refunding bonds	2,952,373
2018A general obligation bonds	833,000
2018B general obligation bonds	3,560,000
Deferred bond premiums	172,998
Total debt applicable to limit	<u>\$ 12,354,914</u>

Source:  
Town of Herndon Finance Department

Notes:  
(1) Under the Constitution of Virginia, the town may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation, therefore, debt from the business-type activities is excluded.

TOWN OF HERNDON, VIRGINIA

Table 13

**PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Golf Course Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 1,512,540	\$ 1,306,977	\$ 205,563	\$ 59,091	\$ 41,353	\$ 100,444	2.05
2011	1,369,871	1,188,595	181,276	87,059	59,284	146,343	1.24
2012	1,496,295	1,252,292	244,003	83,044	46,623	129,667	1.88
2013	1,467,555	1,331,920	135,635	85,670	44,298	129,968	1.04
2014	1,462,861	1,298,157	164,704	89,146	42,294	131,440	1.25
2015	1,366,093	1,295,926	70,167	93,085	39,014	132,099	0.53
2016	1,502,549	1,238,349	264,200	96,562	34,538	131,100	2.02
2017	1,510,009	1,298,643	211,366	100,501	30,848	131,349	1.61
2018	1,442,234	1,313,374	128,860	103,977	26,802	130,779	0.99
2019	1,472,969	1,244,250	228,719	108,767	22,602	131,369	1.74

Chestnut Grove Cemetery Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 616,522	\$ 466,123	\$ 150,399	\$ 96,392	\$ 101,412	\$ 197,804	0.76
2011	635,207	459,127	176,080	107,104	99,529	206,633	0.85
2012	686,149	475,324	210,825	103,316	89,108	192,424	1.10
2013	744,741	524,940	219,801	108,724	85,348	194,072	1.13
2014	851,041	514,028	337,013	114,133	81,210	195,343	1.73
2015	814,677	540,926	273,751	116,406	56,725	173,131	1.58
2016	839,852	539,973	299,879	146,638	42,140	188,778	1.59
2017	899,125	552,130	346,995	207,234	36,166	243,400	1.43
2018	1,026,042	515,428	510,614	154,079	29,106	183,185	2.79
2019	982,863	552,786	430,077	157,946	24,947	182,893	2.35

Source:

Town of Herndon Finance Department - Exhibits B-8, B-9 and A-10

Notes:

- (1) Gross revenues includes all revenues of the fund except gains on sale of capital assets and capital grant revenue.
- (2) Operating expenses do not include depreciation and amortization, interest expense and losses on sale of capital assets.
- (3) See Note 8 in the Notes to the Financial Statements for detailed information regarding the the bonds issued by the Golf Course and Chestnut Grove Cemetery Funds under Business-Type Activities.

**TOWN OF HERNDON, VIRGINIA**

**Table 14**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS  
(Unaudited)**

Calendar Year	Population (1)	Per Capita Personal Income (2)	Personal Income (000) (1) * (2)	Public School Enrollment (3)	Unemployment Rates (%) (4)
2010	23,496	\$ 65,873	\$ 1,547,752	172,391	5.1
2011	23,620	69,910	1,651,274	174,933	4.9
2012	23,556	72,200	1,700,743	177,918	4.2
2013	23,572	69,637	1,641,483	181,259	4.3
2014	23,592	73,000	1,722,216	183,895	4.2
2015	23,612	75,756	1,788,751	185,914	4.0
2016	23,666	76,213	1,803,657	185,979	3.3
2017	23,734	78,376	1,860,176	187,484	3.2
2018	23,809	78,376	1,866,054	188,403	2.7
2019	23,949	78,376	1,877,027	187,474	2.3

Sources:

(1) Town of Herndon, Community Development Annual Population Estimate memo March 2019.

(2) [www.bea.gov](http://www.bea.gov) Tools>Interactive Data> Regional Data>GDP & Personal Income>Local Area Personal Income and Employment (CAINC1)>Fairfax County - updated March 6,2019

(3) Actual enrollment is obtained from FCPS Approved Budget Book at [www.fcps.edu](http://www.fcps.edu).

(4) Virginia Employment Commission, Labor Market Information Unemployment Rates by Local Workforce Development Area - Northern Virginia June (not seasonally adjusted).

TOWN OF HERNDON, VIRGINIA

Table 15

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Employer	2019			2010	
	Number of Employees (1)	Rank	Percentage of Total Town Employment (2)	Number of Employees (3)	Rank
Fannie Mae	1,250-1499	1	7.60%	-	
Amazon Web Services	250-499	2	2.62%	-	
Navy Federal Credit Union	250-499	3	2.61%	-	
Booz Allen Hamilton, Inc.	250-499	4	2.58%		
Peraton	250-499	5	2.47%		
Northwest Federal Union	250-499	6	2.31%	250-499	3
Serco	250-499	7	1.63%	-	
Town of Herndon	250-499	8	1.40%	250-499	4
Boeing Corporation	100-249	9	1.34%	-	
Airline Pilots Association	100-249	10	1.14%	250-499	1
ITT Industries Inc.	-	-	-	250-499	2
Worldgate Sport & Health Club	-	-	-	250-499	5
Airbus NA Customer Service, Inc	-	-	-	100-249	6
Autometric, Inc Boeing	-	-	-	100-249	7
Clear Wireless Broadband	-	-	-	100-249	8
DRS Technical Services, Inc.	-	-	-	100-249	9
REI Systems	-	-	-	100-249	10
Total			<u>25.70%</u>		

Sources:

- (1) Town of Herndon Communications & Economic Development and Finance Departments
- (2) Fairfax County Economic Development Authority provides total town employment
- (3) Town of Herndon 2010 CAFR

Note:

- (1) Percentage of total town employment for fiscal year 2010 is not available.

**FULL-TIME TOWN GOVERNMENT EQUIVALENT EMPLOYEES BY FUNCTION / PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Legislative	4.0	4.0	4.0	4.0	4.0	3.5	3.0	3.9	3.1	2.9
Administration:										
Communications & economic development	1.5	1.5	1.5	1.6	2.4	2.7	2.8	2.8	2.9	3.0
Town manager	2.0	2.0	2.0	2.0	2.0	2.1	2.8	3.0	3.0	2.9
Human resources	3.5	3.5	3.4	3.4	3.1	3.5	3.6	3.7	3.8	3.7
Information services	5.7	5.3	6.0	6.0	6.1	5.9	6.1	5.5	5.9	6.3
Town attorney	2.6	2.6	2.8	2.8	2.6	2.6	2.5	2.7	2.7	2.8
Parks and recreation:										
Administration	3.9	4.2	4.6	4.9	4.0	5.1	5.7	5.8	5.8	5.8
Recreation programs	17.7	16.9	15.3	15.1	15.1	14.8	16.3	15.9	16.4	15.6
Community center operations	15.4	16.2	16.6	16.9	16.7	16.6	16.0	16.4	15.7	17.3
Aquatics programs and operations	13.4	13.3	13.7	13.3	13.1	13.8	12.1	13.4	13.9	14.0
Park operation and development	1.2	1.4	1.3	1.6	1.6	1.1	0.8	1.5	2.2	2.6
Finance:										
Administration	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.1	2.0	1.9
Accounting	5.0	5.0	5.0	4.9	4.7	5.8	5.8	6.3	6.2	5.7
Revenue	3.2	2.8	2.8	2.8	2.8	2.8	2.7	2.8	2.4	2.8
Procurement	1.0	1.0	1.0	1.0	1.0	0.6	1.0	0.8	1.0	1.0
Community development	22.0	22.3	21.5	19.2	18.7	18.2	14.8	15.5	14.5	16.3
Police:										
Field operations	45.4	44.1	49.9	48.9	48.4	46.6	45.1	47.1	42.2	42.3
Support services	35.0	33.9	29.8	31.9	33.4	35.4	34.8	35.0	35.3	34.4
Public works:										
Administration	8.1	6.1	6.9	7.0	7.0	7.0	6.9	6.5	6.5	6.3
Engineering	5.0	5.0	5.0	4.9	4.4	4.7	3.9	4.9	4.8	5.3
Program management	3.0	3.0	3.0	2.9	2.8	2.0	1.5	1.3	1.8	1.8
Building inspections	4.8	4.0	4.9	4.8	4.9	4.4	4.6	4.9	4.6	4.3
Building maintenance	8.4	8.3	8.4	8.5	8.0	7.2	7.2	7.0	7.0	6.8
Grounds maintenance	10.5	7.8	9.0	11.0	11.0	11.6	12.3	12.6	11.7	11.7
Street maintenance	8.8	10.3	8.7	9.8	11.0	9.8	10.3	10.2	9.7	8.7
Refuse/recycling	16.9	17.0	16.6	17.0	16.8	16.6	16.9	15.2	13.9	14.5
Vehicle and equipment replacement	10.5	10.3	9.2	9.4	9.4	10.5	10.5	10.0	8.9	8.9
Traffic engineering	3.5	3.1	3.0	3.1	3.2	3.2	2.6	3.1	3.0	3.0
Right-of-way inspections	3.2	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.0	3.0

TOWN OF HERNDON, VIRGINIA

Table 16  
Page 2

FULL-TIME TOWN GOVERNMENT EQUIVALENT EMPLOYEES BY FUNCTION / PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water and Sewer:										
Customer service	3.8	3.8	3.9	4.1	4.0	4.3	3.5	4.3	3.1	2.9
Sewer service and maintenance	6.4	5.7	3.3	4.4	5.3	5.2	5.1	4.8	5.2	5.4
Water supply and maintenance	6.7	5.6	8.1	7.7	7.3	8.3	7.7	7.4	6.7	5.2
Golf Course:										
Maintenance	7.6	7.2	7.2	7.2	7.5	7.3	6.8	7.3	6.7	6.5
Clubhouse	6.0	5.7	5.8	5.7	5.8	6.1	5.4	5.5	5.5	5.1
Chestnut Grove Cemetery:										
Administration	5.0	4.9	5.0	4.8	4.8	4.9	4.3	4.7	4.7	5.0
<b>Total</b>	<b>302.5</b>	<b>292.9</b>	<b>294.4</b>	<b>297.9</b>	<b>298.0</b>	<b>298.3</b>	<b>289.6</b>	<b>296.0</b>	<b>285.8</b>	<b>285.8</b>

Source:

Town of Herndon, Finance Department Munis report Payroll>Employee History>History Inquiry

**TOWN OF HERNDON, VIRGINIA**

**Table 17**

**OPERATING INDICATORS BY FUNCTION / PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Calls for service (1)	27,700	28,100	27,700	30,900	28,990	36,230	35,520	21,967	24,253	23,246
Human Resources:										
Recruitments requests (1)	78	105	89	60	56	65	64	43	67	64
Building safety:										
Total building permits (2)	342	308	247	226	241	230	263	237	298	280
Total inspections performed (1)	3,446	3,421	2,928	2,628	2,613	2,844	3,496	3,433	3,340	4,460
Public service:										
Refuse collected (tons) (1)	5,868	5,948	5,860	5,248	5,670	6,250	6,410	6,537	6,309	6,358
Recycle collected (residential - tons) (1)	1,473	1,501	1,518	1,517	1,625	1,673	1,711	1,752	1,803	1,789
Parks and Recreation:										
Class and program attendance (1)	17,842	17,368	16,954	12,000	11,500	11,200	11,600	13,700	12,300	13,700
Herndon Festival attendance (1)	79,000	82,000	69,000	82,000	82,000	83,000	78,500	81,500	40,300	62,000
Water and sewer:										
New utility accounts (2)	10	50	78	15	25	20	35	26	75	3
Average daily water consumption (mgd) (2)	2.09	2.15	2.17	2.02	2.00	2.15	2.13	2.24	2.28	2.21
Average daily sewage treatment (mgd) (2)	2.57	2.50	2.47	2.24	2.66	2.46	2.44	2.67	2.88	3.36
Golf Course:										
Rounds played (18 and 9 hole) (1)	32,110	30,098	33,435	31,766	31,421	30,368	33,112	33,029	31,369	31,401
Cemetery:										
Interment rights for sites sold (1)	184	163	204	180	184	136	132	148	171	148
Interments performed (1)	174	117	138	124	129	139	140	133	161	140

Sources:

(1) Town of Herndon Town Manager's Annual Reports.

(2) Town of Herndon Department of Public Works.

**TOWN OF HERNDON, VIRGINIA**

**Table 18**

**CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations (1)	1	1	1	1	1	1	1	1	1	1
Vehicles (1)	39	39	42	42	45	45	47	47	47	47
Refuse Collection:										
Collection trucks (2)	9	9	9	9	9	9	10	10	10	10
Other public works:										
Vehicles/equipment maintained (2)	375	374	378	379	385	424	429	533	567	552
Streets:										
Primary (miles) (2)	29.9	29.9	31.3	31.3	31.3	31.3	31.3	31.3	41.6	41.6
Secondary (miles) (2)	98.1	98.5	98.4	98.4	98.4	98.4	98.4	98.4	88.4	88.4
Parks & Recreation:										
Parks - number of acres (3)	97	97	97	97	97	97	97	137	137	137
Swimming pools (3)	1	1	1	1	1	1	1	1	1	1
Parks with playground equipment (3)	7	7	7	7	7	7	7	7	7	7
Community centers (3)	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles) (2)	89.3	89.3	89.3	89.3	83.4	84.7	84.7	84.7	84.9	85.0
Storage capacity (million gallons) (2)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	2.0	2.0	2.0
Wastewater:										
Sanitary sewers (miles) (2)	81.8	81.8	81.8	81.8	81.8	81.8	81.8	81.8	81.9	81.9

Sources:

- (1) Town of Herndon Police Department
- (2) Town of Herndon Department of Public Works
- (3) Town of Herndon Park & Recreation





[www.herndon-va.gov](http://www.herndon-va.gov)

## **COMPLIANCE SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of Town Council  
Town of Herndon, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Herndon (the “town”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the town’s basic financial statements, and have issued our report thereon dated November 22, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the town’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the town’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 22, 2019

**TOWN OF HERNDON, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2019**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Urban Highway Maintenance