

TOWN OF **Herndon** VIRGINIA



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020

The CAFR is online at www.herndon-va.gov/departments/finance

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TOWN OF HERNDON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2020

Prepared by the
Department of Finance

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**TOWN OF HERNDON, VIRGINIA
FINANCIAL REPORT**

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INTRODUCTORY SECTION

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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 20, 2020

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, 2020. 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 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 are 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, 2020 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 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, 2020 is 24,042 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 28,200.

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 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, except for 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

Located in Fairfax County at the center of the Dulles Technology Corridor, Herndon enjoys a significant corporate presence that includes Amazon Web Services; Boeing; Booz Allen Hamilton; Fannie Mae; Karsun Solutions; Northwest Federal Credit Union; Peraton and Serco. The town's office vacancy rate as of June 2020 was 9.1 percent, which is lower than the overall Fairfax County office vacancy rate of 13.8 percent. According to the American Community Survey, the town's median household income in 2018 was \$112,835. According to the Bureau of Labor Statistics, in September 2020, the local unemployment rate in Fairfax County, was 5.7 percent; Commonwealth of Virginia, was 6.2 percent; and the national rate was 7.9 percent.

Herndon's economy began the year healthy and vibrant. As in communities across the nation and around the world, however, the COVID-19 pandemic has significantly altered the town's economy. The overall economic outlook assumes a modest increase in residential property values and a modest decline in commercial property values in the short-term; the town also anticipates a significant decline in the hotel occupancy tax and the meals tax in the near-term, with the remaining local tax sources remaining flat to slightly down. Further, the town anticipates Parks and Recreations charges for service to decline significantly during the pandemic.

The town continues to attract interest in infill residential development and the redevelopment of older commercial properties. The second phase of the Silver Line, which will include a stop in Herndon, has spurred strong redevelopment interest in the Metro area. In 2019, the first mixed-use development plan in the Metro area was approved; additional applications have been received from Lerner Enterprises and Quadrangle Development Corporation to redevelop existing office buildings into mixed-use developments comprised of residential, office and retail uses.

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 2021. 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

Long-term Financial Planning (continued)

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.

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 2020 budget. See Management's Discussion and Analysis in the Financial Section of this report for the financial highlights for fiscal year 2020.

Major Initiatives

The town has three major development focus areas that will significantly impact its economy in the coming years: the Herndon Metrorail station area, redevelopment of downtown Herndon and the implementation of the South Elden Area Plan.

The Herndon Metrorail station is slated to open in 2021 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 2019, the Herndon Town Council approved the town's first mixed-use development in the HTOC at 555 Herndon Parkway, owned by Penzance. The town has since received additional development applications to include Lerner Enterprises proposing 800 residential units, 248,000 sf of office and 10,000 sf of retail at 593 Herndon Parkway; and Quadrangle Development Corporation proposing the redevelopment of Fairbrook Business Park, adjacent to the HTOC, into 1.5 million sf of development comprised of 900 residential units, 600,000 sf of office and 20,000 sf of retail.

Major Initiatives (continued)

The Herndon Downtown Redevelopment Project, a partnership between the town and Comstock Herndon Venture LC, is continuing to move forward with the closing on the sale of town-owned land to Comstock expecting to take place in late 2020. This project includes the construction of 273 apartments, 17,000 sf of retail space, an 18,000 sf Arts Center, and a 787-space parking garage. Additional downtown developments include Aslin Brewery's renovation of a former dry-cleaning facility into a new tasting room; and the Herndon Biergarten's renovation of a former ironworks building into a restaurant/beer garden.

In South Elden Area Plan neighborhood, Stanley Martin homes has proposed redevelopment of Herndon Corporate Center into a residential community, with a mix of 85 townhomes and 56 two-over-two residential units.

Other upcoming initiatives include a focus on affordable housing, with a proposed repurposing of the Residence Inn into 164 residential units.

Awards and Acknowledgements

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 19 consecutive years. 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 31st 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, 2019. This is the 29th 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, 2020 were submitted to GFOA for consideration for another Distinguished Budget Presentation Award.

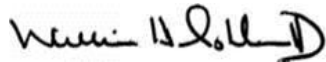
Awards and Acknowledgements (continued)

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, 2019. This was the 45th 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.

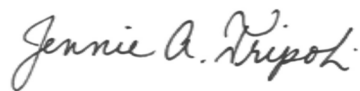
The Town of Herndon continues to maintain a stable financial position through responsible progressive management of financial operations combined with sound accounting and financial reporting practices. The timely preparation of this report could not have been accomplished without the effort of the entire 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.

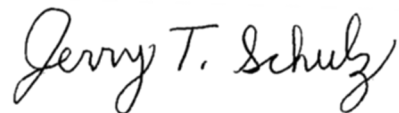
Respectfully submitted,



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**

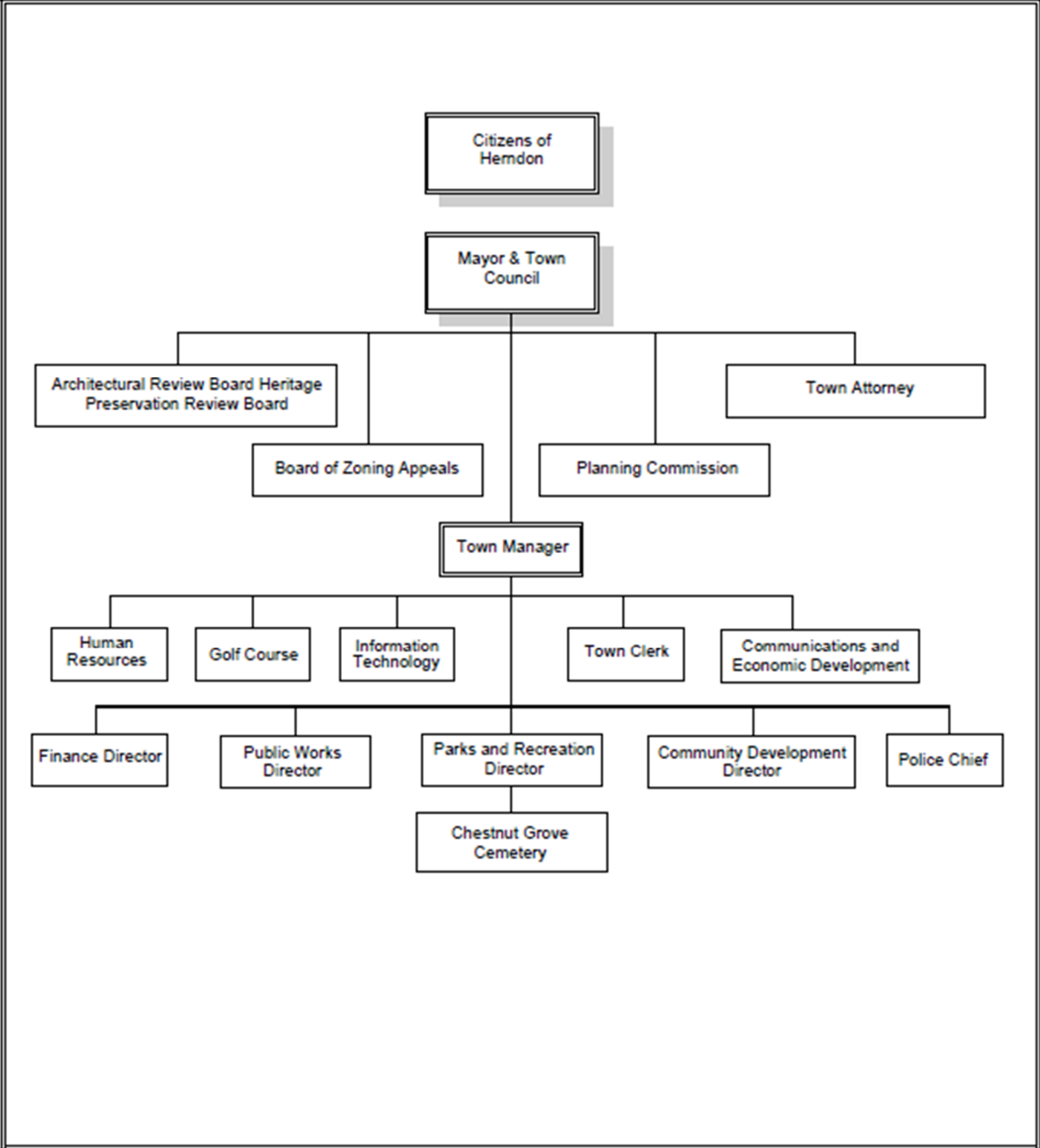
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

**TOWN OF HERNDON, VIRGINIA
ORGANIZATION CHART**



TOWN OF
Herndon
VIRGINIA

Comprehensive Annual Financial Report
Year Ended June 30, 2020

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

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

Lesa J. Yeatts
Town Attorney

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

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FINANCIAL SECTION

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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, 2020, 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, 2020, 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 relate 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, 2019, and we expressed an unmodified opinion on those statements in our report dated November 22, 2019. The 2019 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 20, 2020, 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 20, 2020

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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, 2020. 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 2020

- 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 \$124.2 million (*total net position*). Of this amount, \$31.8 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 \$3.5 million in fiscal year 2020 versus \$2.7 million in fiscal year 2019. The \$0.8 million difference was driven by an increase in governmental revenues of \$2.8 million due mainly to higher program revenues from grants, offset by a \$2.0 million increase in governmental expenses, driven by higher Public Works and Police activities. See Table 2 for more information.
- For the town's business-type activities, net position increased by \$0.7 million in fiscal year 2020 versus \$0.3 million in fiscal year 2019. The \$0.4 million increase was due to a \$0.9 million decrease in expenses driven primarily by lower sewer treatment costs, partially offset by a \$0.3 million decrease in total revenues and a \$0.2 million decrease in transfers. 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 \$30.4 million, an increase of \$1.0 million from the previous fiscal year. This change was comprised of an increase in the General Fund balance of \$2.5 million, offset by \$0.7 million and \$0.8 million decreases in the Capital Projects Fund and Non-Major governmental fund balances, respectively. The General Fund balance increase was driven by \$1.8 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, \$0.2 million in state paving grants, and \$0.5 million in salary vacancy savings. The Capital Projects Fund balance decreased by \$0.6 million, due primarily to land acquisition costs associated with the multimodal access to the Herndon Metrorail project. Non-major governmental fund balance decreased by \$0.8 million due to the completion of the police radio upgrade project. See Table 3 for more information.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund increased \$2.8 million to \$13.3 million, or approximately 38 percent of total General Fund expenditures. Revenues and other financing sources exceeded expenditures and other financing uses by \$2.5 million primarily due to the town's strict spending cuts in response to the COVID-19 pandemic. Business license revenues (BPOL), which were collected before the onset of the pandemic, were very strong in fiscal year 2020. The town also received and made use of approximately \$1.8 million of CARES funding to offset public safety, personal protective equipment, extra cleaning, and pandemic leave costs. The General Fund's unassigned fund balance is available for spending at the town's discretion and represents approximately 44 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 missed the amended budget figures by approximately \$0.9 million. Parks and Recreation's charges for services, transient occupancy taxes, and meals taxes all decreased sharply due the COVID-19 pandemic. Total expenditures and transfers out were less than the amended budget amounts by \$5.6 million, mostly due to strict spending controls enacted at the onset of the pandemic and salary vacancy savings. See Table 4 for more information.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020 (Continued)

- Government-wide net capital assets increased by \$1.3 million from the prior fiscal year, with new investments of \$6.5 million related to land and right-of-way acquisitions for two of the town's major transportation projects being partially offset by a \$5.2 million increase in accumulated depreciation. See Table 5 for more information.
- The town's total outstanding debt is \$23.2 million, which is a decrease of \$2.2 million, driven mainly 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 like 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 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).

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).

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Statements (Continued)

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 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.

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.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position:

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

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 49,503	\$ 45,991	\$ 20,195	\$ 21,012	\$ 69,698	\$ 67,003
Capital assets, net	80,834	79,404	27,921	28,046	108,755	107,450
Total assets	130,337	125,395	48,116	49,058	178,453	174,453
Deferred outflows of resources	3,850	2,133	456	284	4,306	2,417
Current and other liabilities	6,360	4,714	1,496	2,332	7,856	7,046
Non-current liabilities	22,654	21,318	13,554	14,119	36,208	35,437
Total liabilities	29,014	26,032	15,050	16,451	44,064	42,483
Deferred inflows of resources	14,319	14,110	191	222	14,510	14,332
Net Position:						
Net investment in capital assets	73,312	70,826	17,092	16,512	90,404	87,338
Restricted	1,781	2,543	156	172	1,937	2,715
Unrestricted	15,761	14,017	16,083	15,985	31,844	30,002
Total net position	\$ 90,854	\$ 87,386	\$ 33,331	\$ 32,669	\$ 124,185	\$ 120,055

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 \$124.2 million, representing an increase of \$4.1 million from the prior year. About 26 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 to provide 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 Exhibit A-2, Changes in Net Position, in comparative format:

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 3,140	\$ 5,138	\$ 8,906	\$ 9,465	\$ 12,046	\$ 14,603
Operating grants and contributions	3,765	1,865	-	-	3,765	1,865
Capital grants and contributions	4,946	2,658	-	-	4,946	2,658
Total program revenues	11,851	9,661	8,906	9,465	20,757	19,126
General revenues:						
General property taxes	12,256	11,691	-	-	12,256	11,691
Other local taxes	14,479	13,750	-	-	14,479	13,750
Use of money and property	1,079	1,356	224	369	1,303	1,725
Intergovernmental non-categorical aid	1,461	1,482	450	-	1,911	1,482
Miscellaneous	179	614	576	653	755	1,267
Total general revenues	29,454	28,893	1,250	1,022	30,704	29,915
Total revenues	41,305	38,554	10,156	10,487	51,461	49,041
Expenses:						
General government administration	6,690	5,942	-	-	6,690	5,942
Parks and recreation	4,650	5,281	-	-	4,650	5,281
Community development	2,205	1,897	-	-	2,205	1,897
Police	11,141	10,390	-	-	11,141	10,390
Public works	12,811	11,598	-	-	12,811	11,598
Interest	328	492	-	-	328	492
Water and sewer	-	-	7,246	8,090	7,246	8,090
Golf course	-	-	1,516	1,503	1,516	1,503
Chestnut Grove cemetery	-	-	683	704	683	704
Downtown parking	-	-	61	111	61	111
Total expenses	37,825	35,600	9,506	10,408	47,331	46,008
Change in net position before transfers	3,480	2,954	650	79	4,130	3,033
Transfers	(12)	(219)	12	219	-	-
Change in net position	3,468	2,735	662	298	4,130	3,033
Net position, July 1	87,386	84,651	32,669	32,371	120,055	117,022
Net position, June 30	\$90,854	\$87,386	\$33,331	\$32,669	\$124,185	\$120,055

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 \$3.5 million as revenues exceeded expenses and transfers.

Revenues: For the current fiscal year ended June 30, 2020, revenues for governmental activities totaled \$41.3 million, an increase of \$2.8 million or 7.1 percent from the prior fiscal year. Total program revenues increased by \$2.2 million and total general revenues increased by \$0.6 million.

The increase in total program revenues consists of a \$1.9 million increase in operating grants and contributions and a \$2.3 million increase in capital grants and contributions partially offset by a \$2.0 million, or 38.9 percent, decrease in charges for services. Charges for services for governmental activities is mainly comprised of revenues generated by Parks and Recreation programs and services. Charges for services for business-type activities includes customer-paid fees for water and sewer, cemetery, and golf services. In response to the COVID-19 pandemic, the town closed its Parks and Recreation and Golf facilities and discontinued programs and services during the last three and half months of the fiscal year. Delinquencies in water and sewer bills increased. These factors all contributed to the town-wide decrease in charges for service revenues.

Operating grants increased by \$1.9 million, the majority of which was due to the use of \$1.8 million in CARES Act funding. Capital grants and contributions increased by \$2.3 million primarily due to highway and transportation grants received for major capital projects such as multi-modal access to the Herndon Metrorail and the Van Buren complete streets projects.

Total general revenues increased by \$0.6 million from the prior fiscal year, driven primarily by increases in general property taxes and BPOL (other local taxes), partially offset by decreases in excise taxes (other local taxes), interest income (use of money and property), and miscellaneous revenues.

General property taxes, the town's single largest revenue source, increased by \$0.6 million from the prior fiscal year due to an increase in assessments of taxable real property. The taxable assessed value of real property within the town, including Public Service Corporations (PSCs), for calendar year 2019 (fiscal year 2020) was \$4.6 billion, an increase of 4.5 percent over the prior year's taxable assessed values. Residential property values increased by 4.8 percent and commercial property values rose by 4.3 percent. Assessed values for PSCs by 3.5 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, rose by \$0.7 million primarily due to an increase of \$0.9 in BPOL revenues and an increase in meals tax revenues of \$0.5 million. The year-over-year increase in meals taxes was a result of the increase in the tax rate from 2.5 percent to 3.75 percent. Without the rate increase, meals taxes would have declined by 18 percent as a result of state-mandated restrictions during the initial phases of the COVID-19 pandemic. Transient occupancy tax decreased \$0.8 million over the prior year, also due to the pandemic.

Changes in other categories of general revenues include a decrease of \$0.3 in use of money and property (investment income) since interest rates dropped precipitously during the pandemic, and a \$0.4 million decrease in miscellaneous revenues.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities: (Continued)

Expenses: For the current fiscal year ended, expenses for governmental activities totaled \$37.8 million, an increase of \$2.2 million or 6.3 percent from the prior fiscal year.

The town's three largest programs, other than general government administration, are public safety, public works, and parks and recreation. These three programs comprise 76 percent of total governmental expenses.

Increases in public works and public safety personnel and contract services costs account for \$2.0 million of the total increase in expenses from the prior year. Expenses for general government administration and community development were up \$0.7 and \$0.3 million, respectively. Expenses related to parks and recreation decreased by \$0.6 million, driven primarily by the discontinuation of programs and events during the last quarter of the fiscal year. Interest expense on outstanding debt decreased by \$0.2 million.

Business-Type Activities

During the current fiscal year, business-type activities increased the town's net position by \$0.6 million as charges for services, miscellaneous revenues and transfers in exceeded total expenses. Both total revenues and total expenses decreased from the prior fiscal year; revenues were \$0.3 million lower, and expenses decreased by \$0.9 million.

Charges for services revenue decreased by \$0.6 million as all the business-type funds experienced declining revenues from the prior year. The Water and Sewer Fund was down \$0.3 million primarily due to availability fees decreasing as a result of a decline in new service connections. Golf Course charges for services declined by \$0.2 million due to mandatory closure of the course as a result of COVID-19. Chestnut Grove Cemetery charges for services decreased by \$0.1 million from the prior year due to declines in sales of cemetery sites and memorials.

The \$0.9 million decrease in total expenses was driven primarily by lower sewer service costs in the Water and Sewer Fund; all other enterprise funds were relatively flat compared to the prior year. Sewer service expenses were almost \$0.6 million lower than the prior year due to a 19% rate decrease for sewage treatment. Water service expenses declined by \$0.3 million from the prior year due to a change in accounting for the 1994 and 1999 water capacity purchases.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 - the Information Systems Improvement Fund and the Chestnut Grove Cemetery Perpetual Care Fund. See Note 1 in the notes to financial statements section for more fund information.

The following table summarizes the fund balance section of Exhibit A-3, Governmental Fund Balances, in comparative format:

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

	General		Capital Projects		Non-Major Governmental		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-spendable	\$ 166	\$ 212	\$ -	\$ 25	\$ -	\$ -	\$ 166	\$ 237
Restricted	2	-	4,514	4,339	1,780	1,735	6,296	6,074
Committed	-	-	-	-	-	-	-	-
Assigned	5,338	5,580	5,292	6,069	16	876	10,646	12,525
Unassigned	13,294	10,538	-	-	-	-	13,294	10,538
Total fund balances	\$ 18,800	\$ 16,330	\$ 9,806	\$ 10,433	\$ 1,796	\$ 2,611	\$ 30,402	\$ 29,374

As of the end of the current fiscal year, the town's total governmental fund balance increased by \$1.0 million to \$30.4 million from the prior fiscal year. The main driver of this increase was the General Fund, which increased by \$2.5 million, partially offset by decreases in the Capital Projects Fund and Information Systems Improvement fund balances of \$0.6 and \$0.9 million, respectively. The General Fund Unassigned Fund Balance increased by \$2.8 million as General Fund revenues exceeded expenditures and transfers out by \$2.5 million, driven mainly by use of CARES funding to cover eligible expenditures, salary vacancy savings, and strict expenditure controls implemented in response to the COVID-19 pandemic. The General Fund Unassigned Fund Balance of \$13.3 million represents approximately 38 percent of the General Fund's expenditures, excluding transfers out, for fiscal year 2020.

The Capital Projects Fund restricted fund balance is comprised mainly of stormwater taxes collected by Fairfax County on real property within the town's limit, to be spent only on qualifying stormwater projects. The \$0.2 million increase in this balance is equal to the receipt of the fiscal year 2020 allocation of \$0.3 million, offset by \$0.1 million in qualifying usage of those funds. The fund's assigned fund balance decreased \$0.8 million as a result of locally funded expenditures related to the multi-modal access to the Herndon Metrorail project.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Non-Major Governmental fund balances decreased \$0.8 million from the prior fiscal year. This decrease is primarily attributable to the completion of the police radio upgrade project, which was accounted for in the Information Systems Improvement Fund. Unspent funds from that project were transferred back to the General Fund.

Proprietary funds - The financial statements for 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. The enterprise funds' total net position increased by \$0.7 million from the prior year. Unrestricted net position, shown in Exhibit A-8, for each of the four enterprise funds increased or (decreased) from the prior year as follows:

- | | |
|--------------------------------|---|
| ➤ Water and Sewer Fund | \$10.5 million to \$10.8 million increase |
| ➤ Golf Course Fund | \$0.42 million to \$0.21 million (decrease) |
| ➤ Chestnut Grove Cemetery Fund | \$0.72 million to \$0.89 million increase |
| ➤ Downtown Parking Fund | \$4.3 million to \$4.2 million (decrease) |

The combined operating income of all the proprietary funds was nearly breakeven in fiscal year 2020. The Water and Sewer and Chestnut Grove Cemetery Funds posted operating income of \$0.1 million and \$0.2 million, respectively while the Golf Course posted an operating loss of \$0.3 million, as shown on Exhibit A-9. The Downtown Parking fund posted an operating loss of twelve thousand dollars. The Water and Sewer Fund's operating income is primarily attributable to a 19 percent rate decrease for sewer conveyance expenses which resulted in a \$1.0 million decrease in expenses when compared to the prior year. Non-operating income and availability fees of \$0.6 million also contributed to the overall \$0.7 million increase in net position in the Water and Sewer Fund.

The Cemetery Fund posted net operating income and a corresponding increase in net position of \$0.2 million. Net non-operating revenues and expenses were nearly breakeven. Net position in the Golf Fund decreased \$0.3 million, due primarily to the \$0.2 million decline in operating revenues because of the closure of the golf course during the last quarter of the fiscal year in response to COVID-19. 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 information found in Exhibit A-7, Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund:

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

	Fiscal Year 2020			Over / (Under)
	Original Budget	Amended Budget	Actual	
Taxes	\$ 26,506	\$ 26,506	\$ 26,453	\$ (53)
Intergovernmental	4,495	5,700	6,419	719
Other	5,650	5,640	4,119	(1,521)
Total revenues	36,651	37,846	36,991	(855)
Expenditures	36,336	39,560	34,750	(4,810)
Transfers out & other	900	533	(229)	(762)
Total expenditures	37,236	40,093	34,521	(5,572)
Change in fund balance	(585)	(2,247)	2,470	4,717
Fund balance, beginning	16,330	16,330	16,330	-
Fund balance, ending	\$ 15,745	\$ 14,083	\$ 18,800	\$ 4,717

The final amended budget appropriations, which include expenditures and transfers out, exceeded the original budget by \$2.9 million in fiscal year 2020. During the fiscal year, the town enacted the first budget amendment for \$0.1 million plus \$1.2 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 \$0.9 million for the repaving program and building security improvements. A third budget amendment of \$0.7 million was authorized in June for emergency COVID-19 and other miscellaneous expenditures.

At the conclusion of the fiscal year, total revenues were approximately \$0.9 million less than the amended budget amounts and actual expenditures and transfers out were lower than the amended budget amounts by \$5.6 million. Highlights of the comparison of amended budget to actual figures for the fiscal year ended June 30, 2020 include the following:

- Tax revenues came in slightly under budget, with losses in meals and transient occupancy taxes offset by BPOL, real estate tax, and sales tax revenues. Specifically, transient occupancy tax, meals tax, and bank stock tax underperformed budget by \$0.8, \$0.6, and \$0.1 million, respectively. These declines were offset by BPOL exceeding budget by \$1.6 million. BPOL was collected prior to the COVID-19 pandemic and totaled nearly \$5.8 million, as shown in Statistical Table 5. General property taxes and sales taxes were in line with budget.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- Intergovernmental revenues were \$0.7 million higher than the amended budget, driven by \$1.8 million in federal CARES Act funding, partially offset by categories that performed under budget, including VDOT revenue sharing, VDOT highway maintenance, and the state's five percent communications sales and use tax (\$0.3, \$0.1, and \$0.1 million, respectively).
- The \$1.5 million variance between budget and actuals in the other revenues category is the result of curtailed charges for services due to the COVID-19 pandemic. The Herndon Community Center was closed during the last three months of the fiscal year. Programs, classes, and events were cancelled, and refunds were issued, which resulted in charges for services missing budget by \$1.4 million. Fines and forfeitures were down \$0.1 million while use of money and property was up \$0.1 million as a result of rental income being favorable to budget.
- Total expenditures excluding transfers out and other financing uses came in under amended budget by \$4.8 million. Expenditure amounts for all the operating departments were less than the amended budgets. Personnel costs including employee benefits were \$0.9 million favorable to the amended budget which is mostly due to employee vacancy savings throughout the fiscal year. Debt service was \$0.3 favorable to budget since the budget included \$0.3 million for future debt service which is not booked as an actual expenditure. Operations and maintenance expenditures and capital outlays were \$3.3 and \$0.3 million favorable to budget, respectively, of which \$0.3 million in encumbrances at the end of fiscal year 2020 were authorized for carryforward into fiscal year 2021.
- Transfers out and other financing sources were \$0.8 million under the amended budget all transfers from the General Fund to the CIP fund were frozen. Projects not funded include downtown parking, Bready Park tennis court renovations, sidewalks and minor trails, and the town's contribution to the Herndon Parkway/Spring Street/Fairfax County Parkway project.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

As of June 30, 2020, the town had invested approximately \$108.8 million, an increase of \$1.3 million from the prior fiscal year, in a variety of capital assets as reflected in the following table. 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 27,910	\$ 24,709	\$ 3,565	\$ 3,506	\$ 31,475	\$ 28,215
Construction in progress	2,849	2,451	1,499	476	4,348	2,927
Infrastructure	82,563	82,195	-	-	82,563	82,195
Buildings	42,161	42,001	3,552	3,552	45,713	45,553
Improvements other than buildings	17,171	17,528	35,373	35,260	52,544	52,788
Machinery and equipment	11,710	10,366	3,678	3,547	15,388	13,913
Intangibles and purchased capacity	1,137	1,137	16,166	16,166	17,303	17,303
Furniture and fixtures	1,135	1,099	195	195	1,330	1,294
Accumulated depreciation	(105,802)	(102,082)	(36,107)	(34,656)	(141,909)	(136,738)
Total capital assets, net	\$ 80,834	\$ 79,404	\$ 27,921	\$ 28,046	\$ 108,755	\$ 107,450

The net increase in the town’s capital asset investment is attributable to new investments of \$6.5 million exceeding the increase in accumulated depreciation of \$5.2 million. Investments in land, machinery and equipment, and construction in progress increased by \$3.3, \$1.5 and \$1.4 million, respectively.

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

- The increase in the land category was primarily from the acquisition of land and rights-of-way for the multi-modal access to the Herndon Metrorail project (“Bus Bays”).
- New investments in machinery and equipment include the completion of the police two-way radio communication system upgrade project, four new police vehicles with related equipment, uninterrupted power supplies (UPS) for traffic signals around the town, a new Volvo refuse packer, two new pickup trucks, and various other equipment for public works. The Water and Sewer Fund purchased a new Freightliner truck. The Golf Course Fund purchased twelve new Precedent golf carts.
- The increase in construction in progress is primarily from several infrastructure capital projects in progress such as the Bus Bays project and Third Street water tank rehabilitation project in the Water and Sewer Fund.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS (continued)

- The downtown undergrounding project, and several street and intersection projects were in progress. In the Water and Sewer fund, the SCADA system upgrade and several water and sewer line improvement projects were in progress.

During the fiscal year, significant design and specifications, right-of-way acquisition, and utility relocation efforts progressed on other critical transportation projects including the Herndon Parkway and Van Buren Street intersection improvements project; Van Buren Complete Streets; Elden and Monroe streets intersection improvements; 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 2020, the town had \$23.2 million in outstanding long-term general obligations bonds, other obligations and premiums, as reflected in the following table. This represents a decrease of \$2.2 million from the prior fiscal year, driven by debt service payments during the normal course of business.

As of the end of fiscal year 2020, the town's issuer rating from the three credit ratings agencies remained as follows: 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 Other Obligations
As of June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation (GO) bonds	\$ 10,794	\$ 12,182	\$ 8,776	\$ 9,055	\$ 19,570	\$ 21,237
Fairfax Water obligations	-	-	3,419	3,682	3,419	3,682
GO bonds - premiums	154	173	42	298	196	471
Total long-term outstanding debt	\$ 10,948	\$ 12,355	\$ 12,237	\$ 13,035	\$ 23,185	\$ 25,390

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The total adopted fiscal year 2021 budget (all funds), including inter-fund transfers, is \$61.1 million which is about 13.6 percent higher than the original budget for fiscal year 2020. However, because of the unknown effects that COVID-19 may continue to have on revenues, the town sequestered \$11.5 million in total spending until revenue targets are set and met. Consequently, initial authorized spending for fiscal 2021 is \$49.5 million, which is about 7.8 percent lower than the original budget for fiscal year 2020. This decrease is the result of reductions in the General Fund, Capital Projects fund and Water and Sewer fund of \$5.5, \$1.9, and \$4.2 million, respectively. Authorized General Fund expenditures total \$33.3 million, a decrease of about \$4.0 million or 10.6 percent from the fiscal year 2020 adopted budget. The town maintained its real estate tax rate of \$0.265 per \$100 of assessed value for fiscal year 2021. All other excise taxes and fees town-wide remain unchanged from fiscal year 2020, except for the quarterly recycling fee, which increased from \$8.00 to \$16.00 to partially offset the significant increase in recycling costs and tipping fees.

As noted earlier, while the town's revenues from taxes performed close to budget in total during fiscal year 2020, excise taxes such as meals and transient occupancy taxes declined sharply and suddenly due to the pandemic while BPOL outperformed budget significantly and real estate and sales taxes performed in line with budget. The town typically budgets BPOL very conservatively because of the volatile nature of this revenue source, and treats amounts exceeding budget as one-time revenues to fund capital or other one-time costs. However, as financial uncertainty in the face of the pandemic continues into fiscal year 2021 and beyond, the town has responded by keep strict spending controls in place in anticipation of significant decreases in certain excise taxes, charges for parks and recreation programs and services, and interest income. While the assessed values of taxable real property increased by nearly 4.7 percent for calendar year 2020 (fiscal year 2021), real estate assessments lag the economy by at least a year. The residential real estate market through the date of this report has been active as homebuyers take advantage of historically low mortgage rates; however, available housing inventory remains low. On the other hand, the commercial retail real estate market has suffered as a result of the pandemic. The actual impacts of these two segments on the town's assessed values (and real property tax revenues) will not be known until calendar year 2022. The likelihood of federal aid for state and local governments also remains unknown at this time.

As of September 2020, the unemployment rate in Fairfax County (which includes the Town of Herndon) was 5.7 percent compared to 2.0 percent in September 2019. In comparison, the September 2020 unemployment rates for the Commonwealth of Virginia and the United States were 6.2 percent and 7.9 percent, respectively, according to the Bureau of Labor Statistics.

CURRENTLY KNOWN FACTS EXPECTED TO AFFECT FINANCIAL POSITION

In addition to the unprecedented financial uncertainty wrought by the COVID-19 pandemic, other factors expected to affect the town's financial position include the downtown redevelopment project and the town's recent debt restructuring.

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENTLY KNOWN FACTS EXPECTED TO AFFECT FINANCIAL POSITION (Continued)

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 Herndon Venture, LC 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 Herndon Venture, LC 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. This project has experienced delays since the signing of the comprehensive agreement; however, the town anticipates appropriating the remainder of the \$3.6 million described above by December 31, 2020 and proposing a reimbursement resolution to the Town Council to provide the option to finance these payments with future borrowings. More detailed information about the downtown redevelopment project can be found in the comprehensive agreement on the town's website.

Shortly after fiscal year end, the town refunded the 2010 general obligation bonds, the 2014 general obligation refunding bonds and the 2018A general obligation bonds to reduce debt service payments by approximately \$0.8 million in fiscal year 2021 alone and over the next several fiscal years without extending the maturity dates of the refunded debt. The town realized approximately 3.7 percent in present value savings due to the historically low interest rate environment. The new 2020 general obligation bond series totaled \$6.3 million.

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.

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www.herndon-va.gov

BASIC FINANCIAL STATEMENTS

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TOWN OF HERNDON, VIRGINIA

Exhibit A-1

**STATEMENT OF NET POSITION
June 30, 2020**

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents and investments (Note 2)	\$ 27,925,725	\$ 13,653,923	\$ 41,579,648
Cash and investments with fiscal agent (Note 2)	279	-	279
Receivables, net:			
Property taxes (Note 3)	12,622,943	-	12,622,943
Trade and other accounts (Note 3)	680,659	1,629,772	2,310,431
Accrued interest	72,868	22,701	95,569
Due from other governments (Note 3)	2,844,438	-	2,844,438
Inventories	137,883	24,040	161,923
Prepaid costs	28,776	-	28,776
Cash, cash equivalents and investments - restricted (Note 2)	5,189,407	1,347,039	6,536,446
Notes receivable (Note 5)	-	47,431	47,431
Land held for sale	-	3,469,456	3,469,456
Capital assets: (Note 6)			
Nondepreciable	30,759,860	5,064,543	35,824,403
Depreciable, net	50,074,578	22,856,845	72,931,423
Total assets	<u>130,337,416</u>	<u>48,115,750</u>	<u>178,453,166</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	61,197	61,197
Deferred outflows related to pensions (Notes 9 and 13)	2,705,433	266,578	2,972,011
Deferred outflows related to other postemployment benefits (Notes 11,12 and 13)	1,144,394	128,256	1,272,650
Total deferred outflows of resources	<u>3,849,827</u>	<u>456,031</u>	<u>4,305,858</u>
LIABILITIES			
Accounts payable	433,325	1,087,922	1,521,247
Accrued payroll	316,917	75,704	392,621
Accrued liabilities - other	670,926	105,828	776,754
Accrued interest	132,963	23,060	156,023
Unearned revenue (Note 7)	2,596,430	-	2,596,430
Customer deposits	2,208,703	204,082	2,412,785
Noncurrent liabilities:			
Due within one year (Note 8)	1,736,769	737,003	2,473,772
Due in more than one year (Note 8)	11,593,631	11,827,853	23,421,484
Net pension liability (Notes 9 and 13)	3,490,932	345,441	3,836,373
Net other postemployment benefit liability (Notes 11, 12 and 13)	5,833,085	643,441	6,476,526
Total liabilities	<u>29,013,681</u>	<u>15,050,334</u>	<u>44,064,015</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Notes 9 and 13)	1,640,446	162,327	1,802,773
Deferred inflows related to other postemployment benefits (Notes 11, 12 and 13)	185,036	28,447	213,483
Property taxes (Note 7)	12,493,689	-	12,493,689
Total deferred inflows of resources	<u>14,319,171</u>	<u>190,774</u>	<u>14,509,945</u>
NET POSITION			
Net investment in capital assets	73,311,591	17,092,331	90,403,922
Restricted:			
Lateral program	-	155,747	155,747
Capital projects	2,000	-	2,000
Cemetery Perpetual Care Fund - expendable	1,779,483	-	1,779,483
Unrestricted	15,761,317	16,082,595	31,843,912
Total net position	<u>\$ 90,854,391</u>	<u>\$ 33,330,673</u>	<u>\$ 124,185,064</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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Legislative	\$ 551,445	\$ -	\$ -	\$ -	\$ (551,445)		\$ (551,445)
Administration	3,716,194	3,205	-	-	(3,712,989)		(3,712,989)
Town attorney	837,152	-	-	-	(837,152)		(837,152)
Parks and recreation	4,649,822	1,399,288	-	-	(3,250,534)		(3,250,534)
Finance	1,585,696	583,894	-	-	(1,001,802)		(1,001,802)
Community development	2,205,030	-	40,000	-	(2,165,030)		(2,165,030)
Police	11,141,097	332,689	2,530,623	-	(8,277,785)		(8,277,785)
Public works	12,810,607	821,113	1,194,716	4,945,608	(5,849,170)		(5,849,170)
Interest	327,914	-	-	-	(327,914)		(327,914)
Total governmental activities	37,824,957	3,140,189	3,765,339	4,945,608	(25,973,821)		(25,973,821)
Business-type activities:							
Water and sewer	7,245,711	6,900,460	-	-		\$ (345,251)	(345,251)
Golf course	1,516,523	1,183,263	-	-		(333,260)	(333,260)
Chestnut Grove cemetery	682,704	821,964	-	-		139,260	139,260
Downtown parking	61,674	-	-	-		(61,674)	(61,674)
Total business-type activities	9,506,612	8,905,687	-	-		(600,925)	(600,925)
Total government	\$ 47,331,569	\$ 12,045,876	\$ 3,765,339	\$ 4,945,608	(25,973,821)	(600,925)	(26,574,746)
General Revenues:							
Taxes:							
General property					12,255,705	-	12,255,705
Business licenses					5,871,507	-	5,871,507
Transient occupancy					1,607,031	-	1,607,031
Meals					2,975,487	-	2,975,487
Local sales					1,897,945	-	1,897,945
Consumer utility					788,674	-	788,674
Other local taxes					1,339,100	-	1,339,100
Revenues not restricted to specific programs					58,203	-	58,203
Intergovernmental, non-categorical aid					1,460,834	449,725	1,910,559
Use of money and property					1,078,968	224,571	1,303,539
Gain on sale of capital assets					19,727	10,800	30,527
Miscellaneous and lease income					101,558	564,904	666,462
Transfers					(12,302)	12,302	-
Total general revenues and transfers					29,442,437	1,262,302	30,704,739
Change in net position					3,468,616	661,377	4,129,993
Net position, July 1					87,385,775	32,669,296	120,055,071
Net position, June 30					\$ 90,854,391	\$ 33,330,673	\$ 124,185,064

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

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TOWN OF HERNDON, VIRGINIA

Exhibit A-3
Page 1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and investments	\$ 23,521,232	\$ 4,388,171	\$ 16,322	\$ 27,925,725
Cash and investments with fiscal agent	224	55	-	279
Receivables (net of allowance for doubtful accounts):				
Property taxes	12,622,943	-	-	12,622,943
Trade and other accounts	680,659	-	-	680,659
Accrued interest	53,842	4,112	14,914	72,868
Due from other governments	768,917	2,075,521	-	2,844,438
Inventories	137,883	-	-	137,883
Prepaid costs	28,776	-	-	28,776
Cash, cash equivalents and investments - restricted	-	3,424,838	1,764,569	5,189,407
Total assets	\$ 37,814,476	\$ 9,892,697	\$ 1,795,805	\$ 49,502,978

(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, 2020

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 346,995	\$ 86,330	\$ -	\$ 433,325
Accrued payroll	316,917	-	-	316,917
Accrued liabilities - other	670,926	-	-	670,926
Unearned revenue	2,596,430	-	-	2,596,430
Customer deposits	2,208,703	-	-	2,208,703
Total liabilities	6,139,971	86,330	-	6,226,301
Deferred inflows of resources:				
Unavailable revenue - property taxes	12,594,932	-	-	12,594,932
Unavailable revenue - other	279,026	-	-	279,026
Total deferred inflows of resources	12,873,958	-	-	12,873,958
Fund Balances:				
Nonspendable:				
Inventories	137,883	-	-	137,883
Prepaid costs	28,776	-	-	28,776
Restricted:				
Bond proceeds not yet spent	224	3,424,893	-	3,425,117
Cemetery perpetual care	-	-	1,779,483	1,779,483
Building inspections grant	2,000	-	-	2,000
Stormwater grant	-	980,231	-	980,231
Brownfields grant	-	109,000	-	109,000
Assigned:				
Revenue stabilization	1,800,000	-	-	1,800,000
Operating & capital costs	310,237	2,572,765	6,044	2,889,046
Capital reserve	1,803,024	-	-	1,803,024
Contingency reserve	900,000	-	-	900,000
e-Summons	38,915	-	-	38,915
Subsequent years' expenditures for:				
General Fund	486,000	-	-	486,000
Capital Projects Fund	-	2,719,478	10,278	2,729,756
Unassigned:				
General Fund	13,293,488	-	-	13,293,488
Total fund balances	18,800,547	9,806,367	1,795,805	30,402,719
Total liabilities, deferred inflows of resources and fund balances	\$ 37,814,476	\$ 9,892,697	\$ 1,795,805	\$ 49,502,978

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, 2020**

Total Fund Balances - Governmental Funds		\$ 30,402,719
<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>		80,834,438
<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>		380,269
<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	2,705,433	
Other postemployment benefits	1,144,394	
		3,849,827
Deferred inflows related to:		
Pensions	(1,640,446)	
Other postemployment benefits	(185,036)	
		(1,825,482)
Net pension liability		(3,490,932)
Net other post employment benefits liability		(5,833,085)
<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	(10,947,964)	
Compensated absences	(2,382,436)	
Interest payable	(132,963)	
		(13,463,363)
Net position of governmental activities		\$ 90,854,391

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

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TOWN OF HERNDON, VIRGINIA

Exhibit A-5
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 12,241,266	\$ -	\$ -	\$ 12,241,266
Other local taxes	14,212,059	-	-	14,212,059
Permits, privilege fees and regulatory licenses	585,191	-	-	585,191
Fines and forfeitures	353,593	-	-	353,593
Use of money and property	880,704	141,680	56,584	1,078,968
Charges for services	2,248,267	-	-	2,248,267
Miscellaneous	50,791	900	-	51,691
Intergovernmental	6,420,889	3,750,892	-	10,171,781
Total revenues	36,992,760	3,893,472	56,584	40,942,816
Expenditures:				
Current:				
Legislative	500,752	-	-	500,752
Administration	2,978,610	-	-	2,978,610
Town attorney	676,293	-	-	676,293
Parks and recreation	3,934,039	-	-	3,934,039
Finance	1,508,139	-	-	1,508,139
Community development	2,102,628	-	-	2,102,628
Police	10,328,678	-	-	10,328,678
Public works	10,432,212	-	-	10,432,212
Grants	84,490	-	-	84,490
Non-departmental	457,223	-	-	457,223
Capital outlay	-	4,551,691	668,891	5,220,582
Debt service:				
Principal	1,388,246	-	-	1,388,246
Interest and fiscal charges	359,202	-	-	359,202
Total expenditures	34,750,512	4,551,691	668,891	39,971,094
Excess (deficiency) of revenues over expenditures	2,242,248	(658,219)	(612,307)	971,722

(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, 2020

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 19,727	\$ -	\$ -	\$ 19,727
Insurance recoveries	18,258	31,609	-	49,867
Transfers in	190,000	-	44,281	234,281
Transfers out	-	-	(246,583)	(246,583)
Total other financing sources (uses), net	227,985	31,609	(202,302)	57,292
Net change in fund balances	2,470,233	(626,610)	(814,609)	1,029,014
Fund balances, July 1	16,330,314	10,432,977	2,610,414	29,373,705
Fund balances, June 30	\$ 18,800,547	\$ 9,806,367	\$ 1,795,805	\$ 30,402,719

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, 2020**

Net change in fund balances - total governmental funds \$ 1,029,014

Reconciliation of amounts reported for governmental activities
in the Statement of Activities:

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.

Expenditure for capital assets	\$ 5,293,568	
Less depreciation and amortization expense	<u>(3,865,955)</u>	
Excess of capital outlay over depreciation and amortization		1,427,613

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position:

Loss on disposal of capital assets		2,906
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue		293,465
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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.

Principal repayments:		
General obligation debt and notes payable		1,388,246

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.

Employer pension contributions		1,024,057
Pension expense		<u>(1,037,569)</u>

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.

Employer other postemployment benefit contributions		151,013
Other postemployment benefit expense		<u>(702,358)</u>

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.

Accrued interest	12,584	
Compensated absences	(139,059)	
Amortization of premiums and discounts	<u>18,704</u>	
		<u>(107,771)</u>

Change in net position of governmental activities		<u>\$ 3,468,616</u>
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The Notes to the Financial Statements are an integral part of this statement.

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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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 12,230,431	\$ 12,230,431	\$ 12,241,266	\$ 10,835
Other local taxes	14,275,577	14,275,577	14,212,059	(63,518)
Permits, privilege fees and regulatory licenses	595,000	595,000	585,191	(9,809)
Fines and forfeitures	475,000	475,000	353,593	(121,407)
Use of money and property	760,000	760,000	880,704	120,704
Charges for services	3,761,233	3,761,233	2,248,267	(1,512,966)
Miscellaneous	59,200	48,685	50,791	2,106
Intergovernmental	4,495,035	5,700,476	6,420,889	720,413
Total revenues	36,651,476	37,846,402	36,992,760	(853,642)
Expenditures:				
Current:				
Legislative	506,339	502,993	500,752	2,241
Administration	3,379,425	3,335,003	2,978,610	356,393
Town attorney	666,007	689,607	676,293	13,314
Parks and recreation	5,009,118	5,058,040	3,934,039	1,124,001
Finance	1,457,349	1,622,245	1,508,139	114,106
Community development	2,159,182	2,356,574	2,102,628	253,946
Police	10,270,168	10,564,687	10,328,678	236,009
Public works	10,346,923	12,343,308	10,432,212	1,911,096
Grants, contingency	-	553,707	84,490	469,217
Non-departmental	510,600	503,150	457,223	45,927
Debt service:				
Principal	1,793,941	1,671,800	1,388,246	283,554
Interest and fiscal charges	237,200	359,341	359,202	139
Total expenditures	36,336,252	39,560,455	34,750,512	4,809,943
Excess (deficiency) of revenues over expenditures	315,224	(1,714,053)	2,242,248	3,956,301

(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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 30,000	\$ 30,000	\$ 19,727	\$ (10,273)
Insurance recoveries	-	-	18,258	18,258
Transfers in	-	190,000	190,000	-
Transfers out	(930,000)	(753,000)	-	753,000
Total other financing uses, net	(900,000)	(533,000)	227,985	760,985
Net change in fund balance	\$ (584,776)	\$ (2,247,053)	\$ 2,470,233	\$ 4,717,286

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, 2020

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
ASSETS					
Current Assets:					
Cash, cash equivalents and investments	\$ 11,144,828	\$ 723,494	\$ 1,037,191	\$ 748,410	\$ 13,653,923
Receivables (net of allowance for doubtful accounts):	1,620,554	7,500	-	1,718	1,629,772
Accrued interest	11,514	-	-	11,187	22,701
Inventories	1,783	22,257	-	-	24,040
Cash, cash equivalents and investments - restricted	344,104	-	-	1,002,935	1,347,039
Current notes receivable (net of allowance for doubtful accounts)	-	-	-	11,858	11,858
Total current assets	13,122,783	753,251	1,037,191	1,776,108	16,689,333
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	35,573	35,573
Land held for sale	-	-	-	3,469,456	3,469,456
Capital assets:					
Land	200,000	1,621,574	718,500	1,025,036	3,565,110
Buildings	-	2,240,527	1,311,437	-	3,551,964
Improvements other than buildings	30,203,338	3,157,597	1,551,842	460,045	35,372,822
Machinery and equipment	2,600,439	906,215	171,739	-	3,678,393
Furniture and fixtures	194,919	-	-	-	194,919
Intangibles	16,166,154	-	-	-	16,166,154
Construction in progress	1,499,433	-	-	-	1,499,433
Less accumulated depreciation and amortization	(28,715,877)	(5,184,077)	(1,747,408)	(460,045)	(36,107,407)
Total capital assets (net of accumulated depreciation and amortization)	22,148,406	2,741,836	2,006,110	1,025,036	27,921,388
Total noncurrent assets	22,148,406	2,741,836	2,006,110	4,530,065	31,426,417
Total assets	35,271,189	3,495,087	3,043,301	6,306,173	48,115,750
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	61,197	-	61,197
Pension related deferred outflows	124,428	98,716	43,434	-	266,578
OPEB related deferred outflows	64,880	53,653	9,723	-	128,256
Total deferred outflows of resources	189,308	152,369	114,354	-	456,031

(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, 2020

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 1,008,984	\$ 7,661	\$ 12,350	\$ 58,927	\$ 1,087,922
Accrued payroll	32,995	32,646	10,063	-	75,704
Accrued liabilities - other	97,464	8,634	8,212	14,578	128,888
Due to other governments	284,450	-	-	-	284,450
Compensated absences	31,381	12,926	5,691	-	49,998
Customer deposits	204,082	-	-	-	204,082
Current general obligation bonds payable	115,000	116,569	165,986	5,000	402,555
Total current liabilities	1,774,356	178,436	202,302	78,505	2,233,599
Noncurrent Liabilities:					
Compensated absences	104,603	161,576	11,386	-	277,565
Due to other governments	3,134,853	-	-	-	3,134,853
Net pension liability	160,755	127,622	57,064	-	345,441
Net other post employment benefit liability	300,552	278,056	64,833	-	643,441
Long-term general obligation bonds payable, net	6,485,000	285,097	649,050	996,288	8,415,435
Total noncurrent liabilities	10,185,763	852,351	782,333	996,288	12,816,735
Total liabilities	11,960,119	1,030,787	984,635	1,074,793	15,050,334
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows	75,541	59,971	26,815	-	162,327
OPEB related deferred inflows	16,553	9,752	2,142	-	28,447
Total deferred inflows of resources	92,094	69,723	28,957	-	190,774
NET POSITION					
Net Position:					
Net investment in capital assets	12,473,207	2,340,170	1,252,271	1,026,683	17,092,331
Restricted, lateral program	155,747	-	-	-	155,747
Unrestricted	10,779,330	206,776	891,792	4,204,697	16,082,595
Total net position	\$ 23,408,284	\$ 2,546,946	\$ 2,144,063	\$ 5,231,380	\$ 33,330,673

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, 2020**

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
Operating revenues:					
Sale of water	\$ 3,038,748	\$ -	\$ -	\$ -	\$ 3,038,748
Sewer service charges	3,673,974	-	-	-	3,673,974
Late payment charges	44,240	-	-	-	44,240
Sale of commodities	10,058	-	-	-	10,058
Rents and leases	433,370	33,079	-	-	466,449
Greens fees	-	838,324	-	-	838,324
Golf cart revenue	-	231,370	-	-	231,370
Golf pro shop sales	-	44,222	-	-	44,222
Driving range fees	-	69,347	-	-	69,347
Cemetery sites	-	-	442,810	-	442,810
Interment services	-	-	234,295	-	234,295
Merchandise sales	-	-	144,859	-	144,859
Miscellaneous	17,607	15,060	43,998	12,714	89,379
Total operating revenues	7,217,997	1,231,402	865,962	12,714	9,328,075
Operating expenses:					
Finance	257,250	-	-	-	257,250
Water services	1,843,563	-	-	-	1,843,563
Sewer services	3,298,160	-	-	-	3,298,160
Contractual services	530,094	36,400	17,400	-	583,894
Golf course operations	-	723,991	-	-	723,991
Golf course club house	-	485,676	-	-	485,676
Cemetery operations	-	-	509,072	-	509,072
Downtown parking	-	-	-	24,383	24,383
Nondepartmental:					
Depreciation and amortization	1,167,346	230,493	121,692	-	1,519,531
Miscellaneous	37,650	23,107	5,482	-	66,239
Total operating expenses	7,134,063	1,499,667	653,646	24,383	9,311,759
Operating income (loss)	83,934	(268,265)	212,316	(11,669)	16,316

(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, 2020

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
Nonoperating revenues (expenses):					
Investment earnings, net	\$ 171,160	\$ 16,283	\$ 13,356	\$ 23,772	\$ 224,571
Interest expense	(92,583)	(16,856)	(29,058)	(37,291)	(175,788)
Intergovernmental revenues	449,725	-	-	-	449,725
Insurance recoveries	-	1,367	7,709	-	9,076
Gain (loss) on disposal of capital assets	(19,065)	10,800	-	-	(8,265)
Total nonoperating revenues (expenses), net	509,237	11,594	(7,993)	(13,519)	499,319
Income (loss) before availability fees and transfers	593,171	(256,671)	204,323	(25,188)	515,635
Availability fees	133,440	-	-	-	133,440
Transfers in	-	-	56,583	-	56,583
Transfers out	-	-	(44,281)	-	(44,281)
Total availability fees and transfers	133,440	-	12,302	-	145,742
Change in net position	726,611	(256,671)	216,625	(25,188)	661,377
Total net position, July 1	22,681,673	2,803,617	1,927,438	5,256,568	32,669,296
Total net position, June 30	\$ 23,408,284	\$ 2,546,946	\$ 2,144,063	\$ 5,231,380	\$ 33,330,673

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, 2020

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Operating Activities:					
Receipts from customers	\$ 7,232,303	\$ 1,226,902	\$ 865,962	\$ 13,960	\$ 9,339,127
Payments to suppliers for goods and services	(6,099,104)	(392,151)	(147,506)	34,544	(6,604,217)
Payments to employees for services	(1,084,790)	(841,521)	(398,078)	-	(2,324,389)
Net cash provided by (used in) operating activities	48,409	(6,770)	320,378	48,504	410,521
Noncapital Financing Activities:					
Intergovernmental revenues	449,725	-	-	-	449,725
Transfers in from other funds	-	-	56,583	-	56,583
Transfers out to other funds	-	-	(44,281)	-	(44,281)
Net cash provided by noncapital financing activities	449,725	-	12,302	-	462,027
Capital and Related Financing Activities:					
Availability fees	133,440	-	-	-	133,440
Acquisition and construction of capital assets	(983,978)	(66,463)	(10,067)	(58,927)	(1,119,435)
Proceeds from the sale of capital assets	-	12,166	7,709	-	19,875
Principal paid on bonds	-	(112,493)	(161,511)	(5,000)	(279,004)
Principal paid to Fairfax Water	(284,450)	-	-	-	(284,450)
Interest paid on bonds	(246,885)	(22,783)	(23,014)	(38,975)	(331,657)
Net cash used in capital and related financing activities	(1,381,873)	(189,573)	(186,883)	(102,902)	(1,861,231)
Investing Activities:					
Principal received on note receivable	-	-	-	11,857	11,857
Interest received on note receivable	-	-	-	2,797	2,797
Interest received on investment securities	180,173	23,959	13,356	23,772	241,260
Net cash provided by investing activities	180,173	23,959	13,356	38,426	255,914
Net increase (decrease) in cash, cash equivalents and investments	(703,566)	(172,384)	159,153	(15,972)	(732,769)
Cash, Cash Equivalents and Investments:					
Beginning	12,192,498	895,878	878,038	1,767,317	15,733,731
Ending	\$ 11,488,932	\$ 723,494	\$ 1,037,191	\$ 1,751,345	\$ 15,000,962
Cash, Cash Equivalents and Investments is comprised of the following:					
Cash, cash equivalents and investments - unrestricted	\$ 11,144,828	\$ 723,494	\$ 1,037,191	\$ 748,410	\$ 13,653,923
Cash, cash equivalents and investments - restricted	344,104	-	-	1,002,935	1,347,039
Total	\$ 11,488,932	\$ 723,494	\$ 1,037,191	\$ 1,751,345	\$ 15,000,962

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, 2020

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 83,934	\$ (268,265)	\$ 212,316	\$ (11,669)	\$ 16,316
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,167,346	230,493	121,692	-	1,519,531
Pension expense net of employer contributions	47,021	(3,264)	5,969	-	49,726
Other postemployment benefit expense net of employer contributions	(56,245)	23,799	(29,210)	-	(61,656)
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	55,682	(4,500)	-	1,246	52,428
Inventories	6,183	(5,954)	-	-	229
Prepaid costs and other assets	-	880	-	-	880
Increase (decrease) in:					
Accounts payable, accrued liabilities and compensated absences	(1,255,327)	20,041	9,611	58,927	(1,166,748)
Deposits	(185)	-	-	-	(185)
Net cash provided by (used in) operating activities	<u>\$ 48,409</u>	<u>\$ (6,770)</u>	<u>\$ 320,378</u>	<u>\$ 48,504</u>	<u>\$ 410,521</u>

Schedule of Noncash Capital and Related

Capital assets acquired through accounts payable	<u>\$ 272,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,379</u>
Intangible asset acquired through intergovernmental transfer	<u>\$ 21,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,881</u>

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 June 30, 2020
 (With Comparative Amounts for 2019)

Pension Trust Fund	
Police Supplemental Retirement Pension Trust Fund	
2020	2019

ASSETS	
Mutual funds	\$ 4,127,353 \$ 4,149,503
Total assets	<u>4,127,353 4,149,503</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 4,127,353 \$ 4,149,503</u>

TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 Year Ended June 30, 2020
 (With Comparative Amounts for 2019)

	Pension Trust Fund Police Supplemental Retirement Pension Trust Fund	
	2020	2019
Additions:		
Employer contributions	\$ 205,851	\$ 201,991
Investment income:		
Net increase in the fair value of investments	172,837	238,635
Total additions, net	378,688	440,626
Deductions:		
Benefit payments	400,838	298,651
Change in net position	(22,150)	141,975
Net position, July 1	4,149,503	4,007,528
Net position, June 30	\$ 4,127,353	\$ 4,149,503

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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 party 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, 2020

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, 2020

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.

Department heads and directors are authorized to transfer/reallocate/redistribute any amount, up to \$100,000, of the approved operations, maintenance and capital funding between approved expenditure accounts within their respective departments in the General Fund and Enterprise Funds only, except for salary and benefit accounts. Proposed transfers from salary or benefits accounts of any amount must be submitted to the town manager for review and approval. Requirements in excess of \$100,000 must be submitted to the town manager for review, and to Town Council for approval. The town manager is authorized to approve the transfer/reallocation/redistribution of General Fund, Water & Sewer Fund, Golf Course Fund, Chestnut Grove Cemetery Fund, Downtown Parking Enterprise Fund, and the Capital Projects Funds monies within a department or between departments in the same fund. Actions may be within or between the personnel, operations and maintenance and capital outlays/projects accounts. The total amount of each approval shall not exceed \$100,000 and multiple transfers to the same account cannot exceed a total of \$100,000. Requirements in excess of \$100,000 must be submitted by resolution to the Town Council for approval. The dollar limitation effectively lowers the legal level of budgetary control to the department level. 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, 2020, budget revisions to the general fund were made, which resulted in a \$3,224,203 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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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.

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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

L. Receivables and Payables (Continued)

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 2020 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 2020 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, 2020; however, these resources will not be available to the town until fiscal year 2021.

The town did not assess personal property taxes during fiscal year 2020.

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

M. 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.

N. 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.

O. 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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

- Deferred charge on refunding. A deferred charge 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.
- 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.
- 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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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, 2020

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, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Balance (Continued)

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, 2020

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, 2020 include \$310,237 in the general fund and \$2,572,765 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, 2020

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.

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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Deposits and Investments (Continued)

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, the Virginia State Non-Arbitrage Program (SNAP); 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 has invested bond proceeds subject to rebate of arbitrage earnings in the SNAP (a 2a-7 like pool), which is an open-ended management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of tax-exempt financing.

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

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.

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, 2020, the town's investments consisted of the following:

Type	Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 32,287,185	AAAm	0.23
SNAP	4,771,878	AAAm	0.10
Federal Agency Bonds and Notes	5,543,857	AA- to AAA	1.60
Mutual Funds	4,127,353	Various	N/A
Total investments	<u>\$ 46,730,273</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, 2020, the portion of the town's portfolio that exceed 5% of the total portfolio are as follows:

LGIP	69%
SNAP	10%
Federal Agency Bonds and Notes	12%
Mutual Funds	9%

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds – Police Retirement Plan:				
DFA Emerging Markets Core Equity I	\$ 35,129	\$ -	\$ -	\$ 35,129
DFA International Core Equity I	96,847	-	-	96,847
DFA US Core Equity 2 I	158,359	-	-	158,359
Federated Capital Preservation	52,233	-	-	52,233
I-Shares I-Boxx \$ High Yield Corporate Bd	31,403	-	-	31,403
Vanguard Total Bond Market Index Adm	8,320	-	-	8,320
Vanguard Target Retirement 2055 Inv	32,321	-	-	32,321
Met Life Stable Value Fund	38,323	-	-	38,323
Vanguard Target Retirement 2050 Inv	114,377	-	-	114,377
Vanguard Target Retirement 2040 Inv	814,880	-	-	814,880
Vanguard REIT Index Adm	36,964	-	-	36,964
Vanguard Growth Index Adm	243,673	-	-	243,673
Vanguard Mid Cap Index Adm	40,991	-	-	40,991
Vanguard 500 Index Admiral	313,886	-	-	313,886
Vanguard Target Retirement 2030 Inv	268,777	-	-	268,777
Vanguard Target Retirement Income Inv	207	-	-	207
Vanguard Target Retirement 2045 Inv	208,334	-	-	208,334
Vanguard Target Retirement 2035 Inv	924,320	-	-	924,320
Vanguard Target Retirement 2060 Inv	2,210	-	-	2,210
Vanguard Target Retirement 2025 Inv	695,625	-	-	695,625
Vanguard Target Retirement 2020	7,982	-	-	7,982
Vanguard Target Retirement 2015	2,192	-	-	2,192
Debt securities:				
Federal Agency Bonds and Notes	-	5,543,857	-	5,543,857
	<u>\$ 4,127,353</u>	<u>\$ 5,543,857</u>	<u>\$ -</u>	<u>\$ 9,671,210</u>

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 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	\$ 5,513,453
Investments	42,602,920
Investments held in trust	4,127,353
	<u>\$ 52,243,726</u>
Statement of Net Position:	
Cash and investments	\$ 41,579,648
Cash and investments with fiscal agent	279
Cash and investments – restricted	6,536,446
Fiduciary fund cash and investments	4,127,353
	<u>\$ 52,243,726</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, 2020

Note 3. Receivables and Due from Other Governments

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Receivables:			
Property tax	\$ 12,622,943	\$ -	\$ 12,622,943
Meal tax	317,771	-	317,771
Transient occupancy tax	84,563	-	84,563
Trade and other accounts	288,659	1,647,712	1,936,371
Gross receivables	<u>13,313,936</u>	<u>1,647,712</u>	<u>14,961,648</u>
Less: allowance for uncollectible	(10,334)	(17,940)	(28,274)
Receivables, net	<u>\$ 13,303,602</u>	<u>\$ 1,629,772</u>	<u>\$ 14,933,374</u>
Due from other governments:			
Federal government	\$ 1,498,483	\$ -	\$ 1,498,483
Commonwealth of Virginia	469,510	-	469,510
Counties	876,445	-	876,445
Total due from other governments	<u>\$ 2,844,438</u>	<u>\$ -</u>	<u>\$ 2,844,438</u>

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Interfund Receivables, Payables, and Transfers

A summary of interfund transfer activity is presented as follows:

	Other Governmental Funds	Chestnut Grove Cemetery Fund	Total Transferred In
Transferred out:			
Primary government:			
Governmental activities:			
General Fund	\$ 190,000	\$ -	\$ 190,000
Other nonmajor governmental funds	-	44,281	44,281
Business-type activities:			
Chestnut Grove Cemetery Fund	56,583	-	56,583
Total Transferred Out	\$ 246,583	\$ 44,281	\$ 290,864

The transfers from the Other nonmajor governmental funds 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. Note Receivable

Note receivable in the Downtown Parking Enterprise fund consists of the following:

4.515% note, due in annual installments of \$11,858, plus interest through October 2023	\$ 47,431
Less current maturities	11,858
Long-term portion, net	\$ 35,573

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Capital Assets

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset, not depreciated:				
Land	\$ 24,689,717	\$ -	\$ -	\$ 24,689,717
Easements	19,680	3,212,182	(11,096)	3,220,766
Construction in progress	2,450,993	594,944	(196,560)	2,849,377
Total capital assets not depreciated	27,160,390	3,807,126	(207,656)	30,759,860
Capital assets, depreciated:				
Infrastructure	82,194,945	367,864	-	82,562,809
Buildings	42,001,460	160,066	-	42,161,526
Improvements other than buildings	17,527,996	-	(356,768)	17,171,228
Machinery and equipment	10,366,309	1,489,348	(145,684)	11,709,973
Intangibles	1,136,517	-	-	1,136,517
Furniture and fixtures	1,098,509	36,494	-	1,135,003
Total capital assets	154,325,736	2,053,772	(502,452)	155,877,056
Less accumulated depreciation:				
Infrastructure	(65,104,045)	(1,286,698)	-	(66,390,743)
Buildings	(19,926,497)	(1,141,905)	-	(21,068,402)
Improvements other than buildings	(9,219,965)	(626,454)	-	(9,846,419)
Machinery and equipment	(6,320,195)	(735,970)	145,684	(6,910,481)
Intangibles	(1,084,993)	(24,163)	-	(1,109,156)
Furniture and fixtures	(426,512)	(50,765)	-	(477,277)
Total accumulated depreciation	(102,082,207)	(3,865,955)	145,684	(105,802,478)
Total capital assets, depreciated, net	52,243,529	(1,812,183)	(356,768)	50,074,578
Governmental activities capital assets, net	\$ 79,403,919	\$ 1,994,943	\$ (564,424)	\$ 80,834,438

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Capital Assets (Continued)

Business-type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not depreciated:				
Land	\$ 3,506,183	\$ 58,927	\$ -	\$ 3,565,110
Construction in progress	476,402	1,135,837	(112,806)	1,499,433
Total capital assets not depreciated	<u>3,982,585</u>	<u>1,194,764</u>	<u>(112,806)</u>	<u>5,064,543</u>
Capital assets, depreciated:				
Buildings	3,551,964	-	-	3,551,964
Improvements other than buildings	35,260,016	112,806	-	35,372,822
Machinery and equipment	3,547,273	240,318	(109,198)	3,678,393
Furniture and fixtures	194,919	-	-	194,919
Intangibles and purchased capacity	16,166,154	-	-	16,166,154
Total capital assets	<u>58,720,326</u>	<u>353,124</u>	<u>(109,198)</u>	<u>58,964,252</u>
Less accumulated depreciation:				
Buildings	(2,046,680)	(96,417)	-	(2,143,097)
Improvements other than buildings	(24,055,531)	(1,055,778)	-	(25,111,309)
Machinery and equipment	(2,018,214)	(182,247)	90,133	(2,110,328)
Furniture and fixtures	(194,919)	-	-	(194,919)
Intangibles and purchased capacity	(6,341,276)	(206,478)	-	(6,547,754)
Total accumulated depreciation	<u>(34,656,620)</u>	<u>(1,540,920)</u>	<u>90,133</u>	<u>(36,107,407)</u>
Total capital assets, depreciated, net	<u>24,063,706</u>	<u>(1,187,796)</u>	<u>(19,065)</u>	<u>22,856,845</u>
Business-type activities capital assets, net	<u>\$ 28,046,291</u>	<u>\$ 6,968</u>	<u>\$ (131,871)</u>	<u>\$ 27,921,388</u>

Additions to capital assets and accumulated depreciation above include \$21,389 of transferred assets from governmental activities with a net book value of zero.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Capital Assets (Continued)

Primary Government

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Legislative	\$ 38,772
Administration	218,378
Parks and Recreation	647,921
Finance	38,780
Community Development	40,557
Police	474,863
Public Works	2,256,314
Town Attorney	<u>150,370</u>
	<u>\$ 3,865,955</u>
Business-type activities:	
Water and Sewer	\$ 1,167,346
Golf Course	230,493
Chestnut Grove Cemetery	<u>121,692</u>
	<u>\$ 1,519,531</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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property tax receivable	\$ 101,243	\$ -
Advance billing of 2020-2021 taxes	12,493,689	12,493,689
Intergovernmental	-	179,694
CARES ACT funding	-	2,416,736
Unavailable - other	<u>279,026</u>	<u>-</u>
	<u>\$ 12,873,958</u>	<u>\$ 15,090,119</u>

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Long-Term Debt

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 12,181,916	\$ -	\$ (1,388,246)	\$ 10,793,670	\$ 1,426,945
Plus deferred amount for bond premiums	172,998	-	(18,704)	154,294	-
	<u>12,354,914</u>	<u>-</u>	<u>(1,406,950)</u>	<u>10,947,964</u>	<u>1,426,945</u>
Compensated absences	<u>2,243,377</u>	<u>473,999</u>	<u>(334,940)</u>	<u>2,382,436</u>	<u>309,824</u>
	<u>\$ 14,598,291</u>	<u>\$ 473,999</u>	<u>\$ (1,741,890)</u>	<u>\$ 13,330,400</u>	<u>\$ 1,736,769</u>
Business-type Activities:					
General obligation bonds	\$ 9,054,834	\$ -	\$ (279,004)	\$ 8,775,830	\$ 402,555
Fairfax Water	3,681,872	21,881	(284,450)	3,419,303	284,450
Plus deferred amount for bond premiums	297,869	-	(255,709)	42,160	-
	<u>13,034,575</u>	<u>21,881</u>	<u>(819,163)</u>	<u>12,237,293</u>	<u>687,005</u>
Compensated absences	<u>296,701</u>	<u>73,484</u>	<u>(42,622)</u>	<u>327,563</u>	<u>49,998</u>
	<u>\$ 13,331,276</u>	<u>\$ 95,365</u>	<u>\$ (861,785)</u>	<u>\$ 12,564,856</u>	<u>\$ 737,003</u>

For the governmental activities, compensated absences, pension liabilities, and OPEB liabilities are generally liquidated by the general fund

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 \$473,004,144. With total exempt debt of \$10,947,964 the town has a legal debt margin of \$462,056,180.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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
2021	\$ 1,426,945	\$ 323,176	\$ 687,005	\$ 316,478	\$ 2,113,950	\$ 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	847,885	175,958	592,684	267,194	1,440,569	443,152
2026-2030	2,231,511	577,445	2,559,814	1,153,761	4,791,325	1,731,206
2031-2035	1,090,000	265,806	1,850,885	876,813	2,791,367	1,142,619
2036-2040	995,000	82,094	1,796,367	657,544	2,813,248	739,638
2041-2045	-	-	1,375,000	429,688	1,375,000	429,688
2046-2050	-	-	1,630,000	175,000	1,630,000	175,000
	<u>\$ 10,793,670</u>	<u>\$ 2,164,464</u>	<u>\$ 12,195,133</u>	<u>\$ 4,748,431</u>	<u>\$ 22,988,803</u>	<u>\$ 6,912,895</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	\$ 1,399,750	\$ 300,250
General Obligation Public Improvement and Refunding Bonds	3.25 – 4.00	2010	2021	3,015,000	205,051	144,949
General Obligation Public Improvement and Refunding Bonds	2.15	2012	2023	4,999,000	2,363,500	-
General Obligation Public Improvement and Refunding Bonds	2.10	2014	2026	5,221,000	2,579,369	760,631
General Obligation Public Improvement Bonds	2.20	2018	2025	969,000	706,000	-
General Obligation Public Improvement Bonds	2.00-5.00	2018	2050	11,135,000	3,540,000	7,570,000
Fairfax Water 1994 Agreement	0.00	1994	2029	5,298,720	-	1,362,528
Fairfax Water 1999 Agreement	0.00	1999	2039	4,474,200	-	2,056,775
					<u>\$ 10,793,670</u>	<u>\$ 12,195,133</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	128
Inactive members:	
Vested inactive members	50
Non-vested inactive members	66
Inactive members active elsewhere in VRS	36
Total inactive members	152
Active members	238
Total covered employees	518

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020 was 6.75% 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 \$1,124,256 and \$1,062,239 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2018, 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, 2019.

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	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		<u>5.13 %</u>
	Inflation		<u>2.50 %</u>
		*Expected arithmetic nominal return	<u>7.63 %</u>

* The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2019 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, 2018	\$ 80,393,903	\$ 78,831,391	\$ 1,562,512
Changes for the year:			
Service cost	1,796,601	-	1,796,601
Interest	5,501,837	-	5,501,837
Changes of assumptions	2,524,588		2,524,588
Differences between expected and actual experience	(482,342)	-	(482,342)
Contributions – employer	-	1,062,239	(1,062,239)
Contributions – employee	-	842,610	(842,610)
Net investment income	-	5,217,554	(5,217,554)
Benefit payments, including refunds of employee contributions	(3,592,462)	(3,592,462)	-
Administrative expenses	-	(52,294)	52,294
Other changes	-	(3,286)	3,286
Net changes	<u>5,748,222</u>	<u>3,474,361</u>	<u>2,273,861</u>
Balances at June 30, 2019	<u>\$ 86,142,125</u>	<u>\$ 82,305,752</u>	<u>\$ 3,836,373</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ 15,180,539	\$ 3,836,373	\$ (5,245,468)

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$1,125,018. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 953,171
Changes of assumptions	1,847,755	132,388
Net difference between projected and actual earnings on pension plan investments	-	717,214
Employer contributions subsequent to the measurement date	1,124,256	-
Total	\$ 2,972,011	\$ 1,802,773

TOWN OF HERNDON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Note 9. Defined Benefit Pension Plan (Continued)

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

The \$1,124,256 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, 2021. 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>Increase (Reduction) to Pension Expense</u>
2021	\$ (139,748)
2022	(247,482)
2023	384,285
2024	47,927
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, approximately \$217,752 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 115 participants in the Plan at June 30, 2020. 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 \$205,851 for the fiscal year ended June 30, 2020. Data concerning the value of vested and nonvested benefits as of June 30, 2020 is as follows:

Vested benefits	\$ 3,960,266
Nonvested benefits	<u>167,085</u>
	<u>\$ 4,127,351</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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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, 2020 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 FINANCIAL STATEMENTS
June 30, 2020

Note 11. Other Post-Employment Benefits Liability– 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:

	Number
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 \$5,022,402 was measured as of July 1, 2019 and was determined based on an actuarial valuation performed as of July 1, 2018.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	3.13%
Salary increases, including inflation	2.5%, plus productivity component of 1.25%
Healthcare cost trend rates	7.46-5.00%
Retirees' share of benefit-related costs	Same as Health Care Trend

Mortality rates: RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019

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, 2019 through June 30, 2020.

Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 4,593,666</u>
Changes for the year:	
Service cost	205,822
Interest	172,343
LEO Employees	-
Differences between expected and actual experience	(73,408)
Assumption or other input changes	201,946
Benefit payments	(77,967)
Other changes	<u>-</u>
Net changes	<u>428,736</u>
Balance at June 30, 2019	<u>\$ 5,022,402</u>

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	(2.13%)	(3.13%)	(4.13%)
Total OPEB liability	<u>\$ 5,482,797</u>	<u>\$ 5,022,402</u>	<u>\$ 4,606,820</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 (6.46%) or one percentage point higher (8.46%) than the current healthcare cost trend rates:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
	(6.46%)	(7.46%)	(8.46%)
Total OPEB liability	<u>\$ 4,503,495</u>	<u>\$ 5,022,402</u>	<u>\$ 5,635,546</u>

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

For the year ended June 30, 2020, the town recognized OPEB expense of \$631,998. At June 30, 2020, 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 FINANCIAL STATEMENTS
June 30, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 739,152	\$ 59,126
Change in assumptions	162,657	43,053
Employer contributions subsequent to the measurement date	73,407	-
Total	\$ 975,216	\$ 102,179

The \$73,407 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 246,695
2022	246,695
2023	246,695
2024	56,042
2025	3,503
Thereafter	-

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 FINANCIAL STATEMENTS
June 30, 2020

**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, 2020 Contribution	\$94,122
June 30, 2019 Contribution	\$91,104

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

The net OPEB liabilities were measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$1,454,124
June 30, 2019 proportion	0.08936%
June 30, 2018 proportion	0.08889%
June 30, 2020 expense	\$33,041

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

**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, 2020, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,708	\$ 18,862
Changes of assumptions	91,805	43,848
Net difference between projected and actual earnings on OPEB plan investments	-	29,869
Changes in proportion	14,799	18,725
Employer contributions subsequent to the measurement date	94,122	-
Total	\$ 297,434	\$ 111,304

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

**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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase to OPEB Expense
2021	\$ 4,582
2022	4,582
2023	17,234
2024	27,420
2025	29,471
Thereafter	8,719

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

**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, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

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	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

* 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 FINANCIAL STATEMENTS
June 30, 2020

**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, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,390,238
Plan fiduciary net position	\$ 1,762,972
Employers’ net OPEB liability (asset)	\$ 1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00%

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 FINANCIAL STATEMENTS
June 30, 2020

**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	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		<u>5.13 %</u>
	Inflation	2.50 %	
	*Expected arithmetic nominal return	<u>7.63 %</u>	

* The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the 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, 2019 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 (5.75% GLI) or one percentage point higher (7.75% GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,910,318	\$ 1,454,124	\$ 1,084,165

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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

	Governmental Activities	Business-Type Losses	Total Primary Governmental
Deferred outflows of resources - Pension			
Change in assumptions - VRS	\$ 1,681,376	\$ 166,379	\$ 1,847,755
Employer contributions subsequent to the measurement date			
VRS	1,024,057	100,199	1,124,256
Total deferred outflows of resources - pensions	\$ 2,705,433	\$ 266,578	\$ 2,972,011
Deferred outflows of resources - OPEB			
Employer contributions subsequent to the measurement date			
Local plan	\$ 65,278	\$ 8,129	\$ 73,407
VRS GLI	85,735	8,387	94,122
Changes in assumptions			
Local plan	151,077	11,580	162,657
VRS GLI	83,539	8,266	91,805
Difference between expected and actual experience			
Local plan	657,299	81,853	739,152
VRS GLI	88,000	8,708	96,708
Change in Proportionate Share			
VRS GLI	13,466	1,333	14,799
Total deferred outflows of resources - OPEB	\$ 1,144,394	\$ 128,256	\$ 1,272,650

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

	Governmental Activities	Business-Type Losses	Total Primary Governmental
Net pension liability			
VRS	\$ 3,490,932	\$ 345,441	\$ 3,836,373
Total net pension liability	\$ 3,490,932	\$ 345,441	\$ 3,836,373
Net OPEB liability			
Local plan	\$ 4,509,896	\$ 512,506	\$ 5,022,402
VRS GLI	1,323,189	130,935	1,454,124
Total net OPEB liability	\$ 5,833,085	\$ 643,441	\$ 6,476,526
Deferred inflows of resources - Pensions			
Difference between expected and actual experience			
VRS	\$ 867,344	\$ 85,827	\$ 953,171
Change in assumptions			
VRS	120,467	11,921	132,388
Net difference between projected and actual investment earnings on pension plan investments			
VRS	652,635	64,579	717,214
Total deferred inflows of resources - pensions	\$ 1,640,446	\$ 162,327	\$ 1,802,773
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Local plan	\$ 52,578	\$ 6,548	\$ 59,126
VRS GLI	17,164	1,698	18,862
Net difference between projected and actual investment earnings on OPEB plan investments			
VRS GLI	27,179	2,690	29,869
Change in assumptions			
Local plan	31,177	11,876	43,053
VRS GLI	39,900	3,948	43,848
Change in Proportionate Share			
VRS GLI	17,038	1,687	18,725
Total deferred inflows of resources - OPEB	\$ 185,036	\$ 28,447	\$ 213,483
Pension expense			
VRS	\$ 1,023,718	\$ 101,300	\$ 1,125,018
Total pension expense	\$ 1,023,718	\$ 101,300	\$ 1,125,018
OPEB expense			
Local plan	\$ 572,130	\$ 59,868	\$ 631,998
VRS GLI	30,066	2,975	33,041
Total OPEB expense	\$ 602,196	\$ 62,843	\$ 665,039

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 Risk Sharing Association 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 FINANCIAL STATEMENTS
June 30, 2020

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 2020 was \$378,077.

2021	\$	385,962
2022		358,366
2023		369,117
2024		372,476
2025		260,493
Thereafter		521,565
Total	\$	<u>2,267,979</u>

Note 17. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84, Fiduciary Activities**. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87, Leases**. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In August 2018, the GASB issued **Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61**. 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.

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 17. New Accounting Standards (Continued)

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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. 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, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

(Continued)

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 17. New Accounting Standards (Continued)

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

Note 18. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The town’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the town received revenue during fiscal year 2020. As such, the town’s financial condition and liquidity may be negatively impacted for the fiscal years 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 19. Subsequent Event

Subsequent to year end the town refunded the 2010 general obligation series, the 2014 general obligation refunding series and the 2018 general obligation bonds. The new 2020 bond issued totaled \$6,340,000.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
Year Ended June 30, 2020

	Plan Year		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 205,822	\$ 132,301	\$ 127,335
Interest on total OPEB liability	172,343	120,406	116,391
Changes in benefit terms	-	-	-
Difference between actual and expected experience	(73,408)	1,209,950	-
Changes of assumptions	201,946	(70,475)	-
Benefit payments	(77,967)	(95,969)	(175,191)
Net change in total OPEB liability	428,736	1,296,213	68,535
Total OPEB liability (beginning)	4,593,666	3,297,453	3,228,918
Total OPEB liability (ending)	<u>\$ 5,022,402</u>	<u>\$ 4,593,666</u>	<u>\$ 3,297,453</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered payroll	<u>\$ 17,382,513</u>	<u>\$ 17,382,513</u>	<u>\$ 10,855,369</u>
Net OPEB liability as a percentage of of covered employee payroll	<u>28.89%</u>	<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, 2020

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
VRS Group Term Life Insurance					
2020	\$ 94,122	\$ 94,122	\$ -	\$ 18,385,923	0.51%
2019	91,104	91,104	-	17,518,246	0.52%
2018	87,898	87,898	-	16,718,150	0.53%

This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier 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, 2020

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
VRS Group Term Life Insurance					
2019	0.09%	\$ 1,454,124	\$ 17,518,246	8.30%	52.00%
2018	0.09%	1,350,000	16,718,150	8.08%	51.22%
2017	0.09%	1,362,000	16,663,134	8.17%	48.86%

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier 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, 2020

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,796,601	\$ 1,723,180	\$ 1,780,019	\$ 1,775,184	\$ 1,780,620	\$ 1,821,327
Interest on total pension liability	5,501,837	5,263,541	5,143,537	4,887,085	4,664,075	4,385,197
Benefit payments, including refunds of employee contributions	(3,592,462)	(2,978,005)	(2,984,230)	(2,474,947)	(2,406,002)	(2,039,114)
Difference between actual and expected experience	(482,342)	(297,252)	(1,706,344)	(269,073)	(818,369)	-
Changes of assumptions	2,524,588	-	(521,761)	-	-	-
Net change in total pension liability	5,748,222	3,711,464	1,711,221	3,918,249	3,220,324	4,167,410
Total pension liability (beginning)	<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>	<u>63,665,235</u>
Total pension liability (ending)	<u>\$ 86,142,125</u>	<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>
Plan Fiduciary Net Position						
Contributions - employer	\$ 1,062,239	\$ 1,239,811	\$ 1,256,634	\$ 1,548,518	\$ 1,562,827	\$ 1,603,624
Contributions - employee	842,610	813,625	876,797	800,721	807,614	832,188
Net investment income	5,217,554	5,485,075	8,184,878	1,164,925	2,907,557	8,612,262
Benefit payments, including refunds of employee contributions	(3,592,462)	(2,978,005)	(2,984,230)	(2,474,947)	(2,406,002)	(2,039,114)
Administrative expenses	(52,294)	(47,214)	(47,240)	(40,637)	(39,225)	(45,658)
Other	(3,286)	(4,893)	(7,263)	(490)	(616)	454
Net change in plan fiduciary net position	3,474,361	4,508,399	7,279,576	998,090	2,832,155	8,963,756
Plan fiduciary net position - beginning	<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>	<u>54,249,415</u>
Plan fiduciary net position - ending	<u>\$ 82,305,752</u>	<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>
Net pension liability - ending	<u>\$ 3,836,373</u>	<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>95.55%</u>	<u>98.06%</u>	<u>96.92%</u>	<u>89.43%</u>	<u>92.95%</u>	<u>93.19%</u>
Covered payroll	<u>\$ 17,501,069</u>	<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>21.92%</u>	<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 2015 (plan year 2014) 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, 2020

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
Primary Government					
2020	\$ 1,124,256	\$ 1,124,256	\$ -	\$ 18,385,923	6.11 %
2019	1,062,239	1,062,239	-	17,501,069	6.07
2018	1,239,811	1,239,811	-	16,835,121	7.36
2017	1,256,634	1,256,634	-	16,663,134	7.54
2016	1,548,518	1,573,635	-	16,563,441	9.50
2015	1,562,827	1,562,827	-	15,901,012	9.83

This schedule is intended to show information for 10 years. Since fiscal year 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB

(Continued)

TOWN OF HERNDON, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB

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**OTHER SUPPLEMENTARY
INFORMATION**

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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, 2020

Exhibit B-1

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash, cash equivalents and investments	\$ -	\$ 16,322	\$ 16,322
Accrued interest	14,914	-	14,914
Cash, cash equivalents and investments - restricted	1,764,569	-	1,764,569
Total assets	\$ 1,779,483	\$ 16,322	\$ 1,795,805
LIABILITIES AND FUND BALANCES			
Fund balances:			
Restricted:			
Cemetery perpetual care	1,779,483	-	1,779,483
Assigned:			
Prior year reserve for encumbrances		6,044	6,044
Subsequent years' expenditures for Information Systems Improvement Fund	-	10,278	10,278
Total fund balances	1,779,483	16,322	1,795,805
Total liabilities and fund balances	\$ 1,779,483	\$ 16,322	\$ 1,795,805

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	<u>Special Revenue</u> Chestnut Grove Cemetery Perpetual Care Fund	<u>Capital Projects</u> Information Systems Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Revenue from local sources:			
Use of money and property	\$ 56,584	\$ -	\$ 56,584
Total revenues	56,584	-	56,584
Expenditures:			
Capital outlay	-	668,891	668,891
Excess/(Deficiency) of revenues over expenditures	56,584	(668,891)	(612,307)
Other financing sources (uses):			
Transfers in	44,281	-	44,281
Transfers out	(56,583)	(190,000)	(246,583)
Total other financing sources, net	(12,302)	(190,000)	(202,302)
Net change in fund balances	44,282	(858,891)	(814,609)
Fund balances, July 1	1,735,201	875,213	2,610,414
Fund balances, June 30	\$ 1,779,483	\$ 16,322	\$ 1,795,805

TOWN OF HERNDON, VIRGINIA

Exhibit B-3

GENERAL FUND
BALANCE SHEET
June 30, 2020
(With Comparative Amounts for 2019)

	2020	2019
ASSETS		
Cash, cash equivalents and investments	\$ 23,521,232	\$ 18,969,365
Cash and investments with fiscal agent	224	238
Receivables (net of allowance for doubtful accounts):		
Property taxes	12,622,943	12,048,209
Accounts and other services	680,659	711,739
Accrued interest	53,842	67,405
Due from other governments	768,917	677,627
Inventories	137,883	178,211
Prepaid costs	28,776	33,299
	<u>37,814,476</u>	<u>32,686,093</u>
Total assets	\$ 37,814,476	\$ 32,686,093
LIABILITIES		
Liabilities:		
Accounts payable	\$ 346,995	\$ 801,225
Accrued payroll	316,917	298,188
Accrued liabilities - other	670,926	688,299
Unearned revenue	2,596,430	176,941
Deposits	2,208,703	2,342,917
	<u>6,139,971</u>	<u>4,307,570</u>
Total liabilities	6,139,971	4,307,570
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	12,594,932	12,048,209
Unavailable revenues - other	279,026	-
	<u>12,873,958</u>	<u>12,048,209</u>
Total deferred inflows	12,873,958	12,048,209
FUND BALANCE		
Fund Balances:		
Nonspendable:		
Inventories	137,883	178,211
Prepaid costs	28,776	33,299
Restricted:		
Building Inspection grant	2,000	-
Bond proceeds	224	-
Assigned to:		
Revenue stabilization	1,800,000	1,800,000
Operating and capital	310,237	1,255,602
Capital reserve	1,803,024	1,477,536
Contingency reserve	900,000	900,000
e-Summons	38,915	-
Subsequent years' expenditures	486,000	147,996
Unassigned	13,293,488	10,537,670
	<u>18,800,547</u>	<u>16,330,314</u>
Total fund balances	18,800,547	16,330,314
Total liabilities, deferred inflows of resources and fund balances	\$ 37,814,476	\$ 32,686,093

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 1

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 11,816,266	\$ 11,816,266	\$ 11,980,654	\$ 164,388
Elderly tax relief exemption	-	-	(116,669)	(116,669)
Public service corporation taxes	359,165	359,165	323,483	(35,682)
Penalties and interest	55,000	55,000	53,798	(1,202)
Total general property taxes	12,230,431	12,230,431	12,241,266	10,835
Other local taxes:				
Consumer utility tax	797,900	797,900	788,674	(9,226)
Right of way use fees	150,000	150,000	127,259	(22,741)
Cigarette tax	266,543	266,543	209,757	(56,786)
Transient occupancy tax	2,366,397	2,366,397	1,573,340	(793,057)
Meals tax	3,479,304	3,479,304	2,845,607	(633,697)
Bank stock tax	409,050	409,050	288,186	(120,864)
Cable TV franchise tax	200,000	200,000	172,638	(27,362)
Business licenses (BPOL)	4,200,000	4,200,000	5,767,393	1,567,393
Utility consumption tax	92,000	92,000	86,085	(5,915)
Motor vehicle licenses	460,000	460,000	455,175	(4,825)
Local sales tax	1,854,383	1,854,383	1,897,945	43,562
Total other local taxes	14,275,577	14,275,577	14,212,059	(63,518)
Permits, privilege fees and regulatory licenses:				
Residential parking permits	-	-	405	405
Planning fees	150,000	150,000	96,310	(53,690)
State stormwater management fees	10,000	10,000	(462)	(10,462)
Building inspection fees	420,000	420,000	476,556	56,556
Right of way permit fees	15,000	15,000	12,382	(2,618)
Total permits, privilege fees and regulatory licenses	595,000	595,000	585,191	(9,809)
Fines and forfeitures:				
Parking fines	100,000	100,000	51,729	(48,271)
Court fees - Fairfax County	335,000	335,000	272,479	(62,521)
Court maintenance fees	13,000	13,000	8,481	(4,519)
E-Summons fees	25,000	25,000	21,104	(3,896)
Zoning fines	2,000	2,000	(200)	(2,200)
Total fines and forfeitures	475,000	475,000	353,593	(121,407)

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 2

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	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	\$ 360,000	\$ 360,000	\$ 392,863	\$ 32,863
Rental income	400,000	400,000	487,841	87,841
Total use of money and property	760,000	760,000	880,704	120,704
Charges for services:				
Franchise lease	96,000	96,000	58,203	(37,797)
Special refuse collection	20,000	20,000	30,585	10,585
Recycling collection	200,000	200,000	173,092	(26,908)
Recreation program fees	1,620,000	1,620,000	844,688	(775,312)
Admission fees	431,400	431,400	249,665	(181,735)
Park operation	20,000	20,000	17,517	(2,483)
Herndon festival	380,000	380,000	91	(379,909)
Concession	15,000	15,000	11,077	(3,923)
Rental income - parks & recreation	135,000	135,000	62,859	(72,141)
Tennis/multi-use facility	230,500	230,500	213,391	(17,109)
Sale of recyclable materials	25,000	25,000	3,205	(21,795)
Quasi - external revenue - charges for administration, personnel and other services:				
Water and sewer fund	535,497	535,497	530,094	(5,403)
Chestnut grove cemetery fund	17,136	17,136	17,400	264
Golf course fund	35,700	35,700	36,400	700
Total charges for services	3,761,233	3,761,233	2,248,267	(1,512,966)
Miscellaneous	59,200	48,685	50,791	2,106
Total revenue from local sources	32,156,441	32,145,926	30,571,871	(1,574,055)
Intergovernmental:				
County of Fairfax:				
Contribution toward tourism and economic development	40,000	40,000	40,000	-
Total from County of Fairfax	40,000	40,000	40,000	-

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 3

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental: (Continued)				
Other Local Governments:				
NOVA regional Gang Task Force grant	\$ 20,000	\$ 20,000	\$ 4,512	\$ (15,488)
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	587,324	587,324	610,232	22,908
Communications sales and use tax	1,512,445	1,512,445	1,428,239	(84,206)
Vehicle rental taxes	8,400	8,400	32,595	24,195
Total non-categorical aid	2,108,169	2,108,169	2,071,066	(37,103)
Categorical aid:				
Fire fund program	82,540	82,540	84,833	2,293
Litter control grant	6,000	6,000	4,824	(1,176)
Dept. of Criminal Justice Service - NOVA regional ICAC grant	30,000	48,000	42,773	(5,227)
State seized assets	-	51,000	2,190	(48,810)
VDOT state of good repair paving grant	-	250,000	219,446	(30,554)
VDOT revenue sharing paving grant	-	308,000	-	(308,000)
Forestry grant	1,250	1,250	-	(1,250)
Arts grant	-	-	4,500	4,500
VDEM Building inspection grant	-	-	2,000	2,000
Street and highway maintenance allocation	2,110,576	2,110,576	2,028,866	(81,710)
Total categorical aid	2,230,366	2,857,366	2,389,432	(467,934)
Total from the Commonwealth	4,338,535	4,965,535	4,460,498	(505,037)
Federal government:				
Categorical aid:				
CARES Act Grant	-	500,000	1,794,549	1,294,549
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement Grant	30,000	31,716	45,619	13,903
US Dept. of Justice/ Criminal Division Office Equitable Sharing Program	50,000	52,025	15,965	(36,060)
Byrne Justice Assistance (JAG) Grant	15,000	15,000	-	(15,000)
Bullet Proof Vest Grant	1,500	1,500	4,474	2,974
HIDTA Grant	-	2,700	2,684	(16)
Community Development Bloc Grant	-	72,000	52,588	(19,412)
Total from the Federal government	96,500	674,941	1,915,879	1,240,938
Total intergovernmental revenue	4,495,035	5,700,476	6,420,889	720,413
Other financing sources:				
Proceeds from sale of surplus property	30,000	30,000	19,727	(10,273)
Insurance recoveries	-	-	18,258	18,258
Transfer in from IS fund	-	190,000	190,000	-
Total other financing sources (uses)	30,000	220,000	227,985	7,985
Total General Fund revenues	\$ 36,681,476	\$ 38,066,402	\$ 37,220,745	\$ (845,657)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 1

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Personnel services	\$ 405,839	\$ 405,839	\$ 422,900	\$ (17,061)
Operations and maintenance	100,500	97,154	77,852	19,302
Total legislative	506,339	502,993	500,752	2,241
Administration:				
Communications & Economic Development:				
Personnel services	377,212	377,212	360,370	16,842
Operations and maintenance	73,700	73,700	53,164	20,536
	450,912	450,912	413,534	37,378
Town manager:				
Personnel services	494,031	365,992	367,361	(1,369)
Operations and maintenance	55,450	49,450	13,515	35,935
	549,481	415,442	380,876	34,566
Human resources:				
Personnel services	430,434	430,434	418,324	12,110
Operations and maintenance	162,900	163,900	126,402	37,498
	593,334	594,334	544,726	49,608
Information services:				
Personnel services	871,686	871,686	788,532	83,154
Operations and maintenance	854,012	942,629	788,287	154,342
Capital outlay	60,000	60,000	62,655	(2,655)
	1,785,698	1,874,315	1,639,474	234,841
Total administration	3,379,425	3,335,003	2,978,610	356,393
Town attorney:				
Personnel services	517,132	517,132	561,585	(44,453)
Operations and maintenance	148,875	172,475	114,708	57,767
Total town attorney	666,007	689,607	676,293	13,314

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 2

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation:				
Administration:				
Personnel services	\$ 655,885	\$ 655,885	\$ 656,139	\$ (254)
Operations and maintenance	124,550	124,550	87,193	37,357
	<u>780,435</u>	<u>780,435</u>	<u>743,332</u>	<u>37,103</u>
Recreation programs:				
Personnel services	972,871	972,871	789,537	183,334
Operations and maintenance	755,325	784,725	254,237	530,488
	<u>1,728,196</u>	<u>1,757,596</u>	<u>1,043,774</u>	<u>713,822</u>
Community center operations:				
Personnel services	1,030,828	1,030,828	983,535	47,293
Operations and maintenance	223,550	223,034	187,454	35,580
Capital outlay	25,000	25,000	19,970	5,030
	<u>1,279,378</u>	<u>1,278,862</u>	<u>1,190,959</u>	<u>87,903</u>
Aquatics programs and operations:				
Personnel services	786,108	786,108	616,924	169,184
Operations and maintenance	166,580	175,999	110,178	65,821
Capital outlay	56,000	56,000	45,264	10,736
	<u>1,008,688</u>	<u>1,018,107</u>	<u>772,366</u>	<u>245,741</u>
Park operations and development:				
Personnel services	110,671	110,671	90,298	20,373
Operations and maintenance	101,750	112,369	93,310	19,059
	<u>212,421</u>	<u>223,040</u>	<u>183,608</u>	<u>39,432</u>
Total parks and recreation	<u>5,009,118</u>	<u>5,058,040</u>	<u>3,934,039</u>	<u>1,124,001</u>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 3

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Administration:				
Personnel services	\$ 272,503	\$ 400,542	\$ 374,924	\$ 25,618
Operations and maintenance	105,350	139,450	69,391	70,059
	377,853	539,992	444,315	95,677
Accounting:				
Personnel services	634,194	634,194	565,755	68,439
Operations and maintenance	33,800	35,700	29,476	6,224
	667,994	669,894	595,231	74,663
Revenue:				
Personnel services	235,560	235,560	291,506	(55,946)
Operations and maintenance	51,485	52,342	58,697	(6,355)
	287,045	287,902	350,203	(62,301)
Procurement:				
Personnel services	119,257	119,257	112,998	6,259
Operations and maintenance	5,200	5,200	5,392	(192)
	124,457	124,457	118,390	6,067
Total finance	1,457,349	1,622,245	1,508,139	114,106
Community development:				
Administration:				
Personnel services	1,725,042	1,797,042	1,739,355	57,687
Operations and maintenance	109,260	275,652	143,678	131,974
	1,834,302	2,072,694	1,883,033	189,661
Community inspections:				
Personnel services	287,580	246,580	188,362	58,218
Operations and maintenance	8,800	8,800	4,003	4,797
Capital outlay	28,500	28,500	27,230	1,270
	324,880	283,880	219,595	64,285
Total community development	2,159,182	2,356,574	2,102,628	253,946

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 4

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Police:				
Field operations:				
Personnel services	\$ 5,332,588	\$ 5,332,588	\$ 5,245,538	\$ 87,050
Operations and maintenance	172,200	218,200	185,951	32,249
Capital outlay	210,100	302,750	214,561	88,189
	<u>5,714,888</u>	<u>5,853,538</u>	<u>5,646,050</u>	<u>207,488</u>
Support services:				
Personnel services	3,896,880	3,899,580	4,112,353	(212,773)
Operations and maintenance	617,400	760,449	565,320	195,129
Capital outlay	41,000	51,120	4,955	46,165
	<u>4,555,280</u>	<u>4,711,149</u>	<u>4,682,628</u>	<u>28,521</u>
Total police	<u>10,270,168</u>	<u>10,564,687</u>	<u>10,328,678</u>	<u>236,009</u>
Public Works:				
Administration:				
Personnel services	803,886	803,886	771,886	32,000
Operations and maintenance	27,129	370,343	94,567	275,776
Capital outlay	150,000	18,150	16,979	1,171
	<u>981,015</u>	<u>1,192,379</u>	<u>883,432</u>	<u>308,947</u>
Engineering:				
Personnel services	652,639	652,639	574,930	77,709
Operations and maintenance	94,100	118,149	28,714	89,435
	<u>746,739</u>	<u>770,788</u>	<u>603,644</u>	<u>167,144</u>
Program management:				
Personnel services	238,439	238,439	233,644	4,795
Operations and maintenance	5,400	287,385	37,319	250,066
	<u>243,839</u>	<u>525,824</u>	<u>270,963</u>	<u>254,861</u>
Building inspections:				
Personnel services	525,207	525,207	487,470	37,737
Operations and maintenance	83,200	83,200	97,850	(14,650)
	<u>608,407</u>	<u>608,407</u>	<u>585,320</u>	<u>23,087</u>
Building maintenance:				
Personnel services	565,654	565,654	551,472	14,182
Operations and maintenance	1,168,000	920,621	832,884	87,737
Capital outlay	41,000	41,000	-	41,000
	<u>1,774,654</u>	<u>1,527,275</u>	<u>1,384,356</u>	<u>142,919</u>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 5

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 707,372	\$ 707,372	\$ 781,008	\$ (73,636)
Operations and maintenance	266,100	288,693	187,402	101,291
Capital outlay	47,000	47,000	-	47,000
	1,020,472	1,043,065	968,410	74,655
Street maintenance:				
Personnel services	721,229	721,229	755,545	(34,316)
Operations and maintenance	904,200	1,920,967	1,114,692	806,275
Capital outlay	47,500	47,500	-	47,500
	1,672,929	2,689,696	1,870,237	819,459
Refuse/recycling:				
Personnel services	851,833	851,833	937,016	(85,183)
Operations and maintenance	548,300	679,163	593,837	85,326
Capital outlay	-	310,733	310,637	96
	1,400,133	1,841,729	1,841,490	239
Vehicle and equipment maintenance:				
Personnel services	849,312	849,312	740,617	108,695
Operations and maintenance	301,000	301,000	401,146	(100,146)
Capital outlay	32,000	182,000	112,660	69,340
	1,182,312	1,332,312	1,254,423	77,889
Traffic engineering:				
Personnel services	227,089	227,089	233,962	(6,873)
Operations and maintenance	153,070	248,480	188,944	59,536
	380,159	475,569	422,906	52,663
Right of way inspections:				
Personnel services	295,664	295,664	311,760	(16,096)
Operations and maintenance	12,100	12,100	6,941	5,159
Capital outlay	28,500	28,500	28,330	170
	336,264	336,264	347,031	(10,767)
Total public works	10,346,923	12,343,308	10,432,212	1,911,096

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 6

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants:				
Operations	\$ -	\$ 553,707	\$ 84,490	\$ 469,217
Total grants	-	553,707	84,490	469,217
Non-departmental Operations	510,600	503,150	457,223	45,927
Total non-departmental	510,600	503,150	457,223	45,927
Debt service:				
Principal	1,793,941	1,671,800	1,388,246	283,554
Interest and fiscal charges	237,200	359,341	359,202	139
Total debt service	2,031,141	2,031,141	1,747,448	283,693
Other financing uses:				
Transfers out	930,000	753,000	-	753,000
Total other financing sources (uses)	930,000	753,000	-	753,000
Total General Fund expenditures	\$ 37,266,252	\$ 40,313,455	\$ 34,750,512	\$ 5,562,943

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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 300,000	\$ -	\$ 141,680	\$ 141,680
Miscellaneous	165,000	165,000	900	(164,100)
Intergovernmental	1,450,000	3,400,000	3,750,892	350,892
Total revenues	1,915,000	3,565,000	3,893,472	328,472
Capital Outlay:				
Parks and recreation	345,000	609,619	-	609,619
Police	-	27,985	25,362	2,623
Public works:				
Admin, buildings, and grounds	377,000	452,598	96,684	355,914
Streets, sidewalks, and trails	1,873,000	24,440,575	4,297,758	20,142,817
Storm water	300,000	542,680	69,419	473,261
Other infrastructure	-	3,639,703	62,468	3,577,235
Information systems improvements	-	693,902	668,891	25,011
Total expenditures	2,895,000	30,407,062	5,220,582	25,186,480
Revenues under expenditures	(980,000)	(26,842,062)	(1,327,110)	25,514,952
Other financing sources:				
Insurance recoveries	-	-	31,609	31,609
Transfers in	730,000	553,000	-	(553,000)
Transfers out	-	(190,000)	(190,000)	-
Total other financing sources	730,000	363,000	(158,391)	(521,391)
Net change in fund balance	\$ (250,000)	\$ (26,479,062)	\$ (1,485,501)	\$ 24,993,561

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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Sale of water	\$ 2,881,000	\$ 3,038,748	\$ 157,748
Sewer service charges	3,902,000	3,673,974	(228,026)
Late payment charges	70,000	44,240	(25,760)
Sale of commodities	11,100	10,058	(1,042)
Rents and leases	400,000	433,370	33,370
Miscellaneous	22,500	17,607	(4,893)
Total operating revenues	7,286,600	7,217,997	(68,603)
Operating expenses:			
Finance	275,020	257,250	17,770
Water service	1,911,686	1,843,563	68,123
Sewer service	4,154,616	3,298,160	856,456
Contractual services	530,094	530,094	-
Nondepartmental:			
Depreciation and amortization	-	1,167,346	(1,167,346)
Miscellaneous	37,600	37,650	(50)
Total operating expenses	6,909,016	7,134,063	(225,047)
Operating income/(loss)	377,584	83,934	(293,650)
Nonoperating revenues (expenses):			
Investment earnings	200,000	171,160	(28,840)
Availability fees	4,260,000	133,440	(4,126,560)
Intergovernmental revenues	-	449,725	449,725
Interest expense	(162,500)	(92,583)	69,917
Gain/(loss) on disposal of capital assets	1,000	(19,065)	(20,065)
Total nonoperating revenues, net	4,298,500	642,677	(3,655,823)
Change in net position	\$ 4,676,084	726,611	\$ (3,949,473)
Total net position, July 1		22,681,673	
Total net position, June 30		<u>\$ 23,408,284</u>	

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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Rents and leases	\$ 40,400	\$ 33,079	\$ (7,321)
Greens fees	978,200	838,324	(139,876)
Golf cart revenue	282,500	231,370	(51,130)
Golf pro shop sales	63,300	44,222	(19,078)
Driving range fees	81,800	69,347	(12,453)
Miscellaneous	17,700	15,060	(2,640)
Total operating revenues	1,463,900	1,231,402	(232,498)
Operating expenses:			
Golf course operations	722,630	723,991	(1,361)
Golf course club house	568,259	485,676	82,583
Contractual services	36,400	36,400	-
Nondepartmental:			
Depreciation and amortization	-	230,493	(230,493)
Miscellaneous	22,600	23,107	(507)
Total operating expenses	1,349,889	1,499,667	(149,778)
Operating income (loss)	114,011	(268,265)	(382,276)
Nonoperating revenues (expenses):			
Investment earnings, net	20,000	16,283	(3,717)
Insurance recoveries	1,367	1,367	-
Gain on disposal of capital assets	-	10,800	10,800
Interest expense	(17,900)	(16,856)	1,044
Total nonoperating revenues (expenses), net	3,467	11,594	8,127
Income (loss)	117,478	(256,671)	(374,149)
Change in net position	\$ 117,478	(256,671)	\$ (374,149)
Total net position, July 1		<u>2,803,617</u>	
Total net position, June 30		<u>\$ 2,546,946</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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Cemetery sites	\$ 477,865	\$ 442,810	\$ (35,055)
Interment services	216,375	234,295	17,920
Merchandise sales	148,500	144,859	(3,641)
Miscellaneous	15,050	43,998	28,948
Total operating revenues	857,790	865,962	8,172
Operating expenses:			
Cemetery operations	569,588	509,072	60,516
Contractual Services	17,400	17,400	-
Nondepartmental:			
Depreciation and amortization	-	121,692	(121,692)
Miscellaneous	5,700	5,482	218
Total operating expenses	592,688	653,646	(60,958)
Operating income	265,102	212,316	(52,786)
Nonoperating revenues (expenses):			
Investment earnings	-	13,356	13,356
Insurance recoveries	-	7,709	7,709
Interest expense	(28,700)	(29,058)	(358)
Total nonoperating revenues (expenses), net	(28,700)	(7,993)	20,707
Income before transfers	236,402	204,323	(32,079)
Transfers in	55,000	56,583	1,583
Transfers out	(45,490)	(44,281)	1,209
Change in net position	\$ 245,912	216,625	\$ (29,287)
Total net position, July 1		<u>1,927,438</u>	
Total net position, June 30		<u>\$ 2,144,063</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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Miscellaneous	\$ 31,954	\$ 12,714	\$ (19,240)
Total operating revenues	<u>31,954</u>	<u>12,714</u>	<u>(19,240)</u>
Operating expenses:			
Downtown parking	<u>24,770</u>	<u>24,383</u>	<u>387</u>
Total operating expenses	<u>24,770</u>	<u>24,383</u>	<u>387</u>
Operating income (loss)	<u>7,184</u>	<u>(11,669)</u>	<u>(18,853)</u>
Nonoperating revenues (expenses):			
Investment earnings	3,800	23,772	19,972
Interest expense	-	(37,291)	(37,291)
Total nonoperating revenues	<u>3,800</u>	<u>(13,519)</u>	<u>(17,319)</u>
Income (loss) before transfers	<u>10,984</u>	<u>(25,188)</u>	<u>(36,172)</u>
Transfers in	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Change in net position	<u>\$ 210,984</u>	<u>(25,188)</u>	<u>\$ (236,172)</u>
Total net position, July 1		<u>5,256,568</u>	
Total net position, June 30		<u>\$ 5,231,380</u>	



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STATISTICAL SECTION

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**TOWN OF HERNDON, VIRGINIA
STATISTICAL SECTION**

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Revenue Capacity – Tables 5 – 9

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

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TOWN OF HERNDON, VIRGINIA

Table 1

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 73,311,591
Restricted	-	-	3,156,244	3,156,490	2,400,979	3,985,488	1,618,442	2,132,077	2,542,708	1,781,483
Unrestricted	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	15,761,317
Total governmental activities net position	\$ 84,579,680	\$ 84,224,563	\$ 83,912,347	\$ 83,152,882	\$ 77,795,181	\$ 81,816,753	\$ 81,363,797	\$ 84,650,942	\$ 87,385,775	\$ 90,854,391
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 17,092,331
Restricted	-	-	-	-	-	-	151,114	161,671	172,116	155,747
Unrestricted	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	16,082,595
Total business-type activities net position	\$ 29,925,561	\$ 30,144,643	\$ 30,115,815	\$ 32,156,682	\$ 31,949,277	\$ 32,173,313	\$ 31,576,029	\$ 32,370,983	\$ 32,669,296	\$ 33,330,673
Primary government:										
Net investment in capital assets	\$ 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	\$ 90,403,922
Restricted	-	-	3,156,244	3,156,490	2,400,979	3,985,488	1,769,556	2,293,748	2,714,824	1,937,230
Unrestricted	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	31,843,912
Total primary government net position	\$ 114,505,241	\$ 114,369,206	\$ 114,028,162	\$ 115,309,564	\$ 109,744,458	\$ 113,990,066	\$ 112,939,826	\$ 117,021,925	\$ 120,055,071	\$ 124,185,064
		(1)			(2)		(3)	(4)		

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.
- (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)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental activities:										
Legislative	\$ 623,912	\$ 583,204	\$ 640,816	\$ 627,221	\$ 602,274	\$ 677,277	\$ 745,753	\$ 706,048	\$ 734,671	\$ 551,445
Administration	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	3,716,194
Town attorney	587,992	475,518	497,761	539,332	522,777	556,236	606,758	612,209	612,349	837,152
Parks and recreation	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	4,649,822
Finance	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	1,585,696
Community development	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	2,205,030
Police	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	11,141,097
Public works	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	12,810,607
Interest	807,330	938,843	533,155	443,213	511,089	287,036	258,075	257,963	491,896	327,914
Total governmental activities	31,245,335	33,127,508	33,484,947	34,692,911	33,136,425	33,907,248	35,765,990	34,462,828	35,600,537	37,824,957
Business-type activities:										
Water and sewer	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	7,245,711
Golf course	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	1,516,523
Chestnut Grove cemetery	698,361	686,962	729,837	707,836	697,207	710,164	708,383	668,944	703,935	682,704
Downtown parking	77,374	29,473	29,390	32,945	28,283	72,623	111,913	133,985	110,788	61,674
Total business-type activities	8,968,171	9,421,919	9,418,797	9,884,198	9,162,915	9,333,579	9,986,932	9,374,114	10,408,294	9,506,612
Total government expenses	40,213,506	42,549,427	42,903,744	44,577,109	42,299,340	43,240,827	45,752,922	43,836,942	46,008,831	47,331,569
Program revenue:										
Governmental activities:										
Charges for services:										
Administration	28,242	20,573	19,606	34,762	24,327	9,675	41,075	35,976	6,892	3,205
Parks and recreation	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	1,399,288
Finance	465,020	488,270	512,690	533,200	549,600	560,500	571,700	588,333	588,333	583,894
Police	543,607	583,820	498,279	469,812	543,901	447,552	397,691	430,685	460,288	332,689
Public works	498,571	421,503	687,130	646,287	634,681	762,796	710,671	749,504	1,208,825	821,113
Operating grants and contributions:										
Administration	114,732	29,348	-	-	-	-	-	-	-	-
Community development	87,289	129,380	130,823	130,000	130,000	40,000	40,000	40,000	40,000	40,000
Police	898,306	707,317	627,749	751,934	671,045	666,752	707,588	864,195	745,352	2,530,623
Public works	864,727	806,055	890,712	862,301	936,748	953,146	1,178,505	1,046,761	1,080,054	1,194,716
Capital grants and contributions:										
Police	5,000	-	-	-	-	-	-	-	-	-
Public works	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	4,945,608
Total governmental activities program revenue	7,587,212	8,593,610	8,074,805	7,801,231	8,231,174	9,396,325	8,583,309	9,289,191	9,661,223	11,851,136

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 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	\$ 6,900,460
Golf course	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	1,183,263
Chestnut Grove cemetery	596,106	639,107	695,230	806,521	725,182	783,598	890,165	967,731	905,155	821,964
Downtown parking	-	-	-	-	-	-	26,903	-	-	-
Capital grants and contributions:										
Water and sewer	314,121	50,512	119,085	-	-	-	-	-	-	-
Golf course	-	-	61,160	154,239	16,670	-	-	-	-	-
Total business-type activities program revenues	8,117,912	8,316,459	8,553,717	8,772,117	8,354,203	8,312,679	8,920,795	9,275,101	9,465,847	8,905,687
Total government program revenues	15,705,124	16,910,069	16,628,522	16,573,348	16,585,377	17,709,004	17,504,104	18,564,292	19,127,070	20,756,823
Net (expense) revenue:										
Governmental activities	(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)	(25,973,821)
Business-type activities	(850,259)	(1,105,460)	(865,080)	(1,112,081)	(808,712)	(1,020,900)	(1,066,137)	(99,013)	(942,447)	(600,925)
Total government net expense	(24,508,382)	(25,639,358)	(26,275,222)	(28,003,761)	(25,713,963)	(25,531,823)	(28,248,818)	(25,272,650)	(26,881,761)	(26,574,746)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	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	12,255,705
Business license	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	5,871,507
Transient occupancy	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	1,607,031
Meals	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	2,975,487
Local sales	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	1,897,945
Other local taxes	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	2,127,774
Revenues not restricted to specific programs	193,634	-	82,940	85,328	87,940	90,539	93,362	102,243	66,330	58,203
Intergovernmental, non-categorical aid	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	1,460,834
Use of money and property	725,320	899,551	451,965	1,111,136	801,986	1,027,152	909,502	688,957	1,355,800	1,078,968
Gain on sale of capital assets	-	-	-	-	-	14,927	-	-	65,954	19,727
Miscellaneous and lease income	64,412	201,030	184,899	1,984,086	77,560	708,184	206,101	350,137	481,258	101,558
Transfers	(9,979)	(217,583)	(175,892)	(2,109,986)	(386,638)	(174,904)	(155,593)	(144,987)	(218,825)	(12,302)
Total governmental activities	22,881,466	24,178,781	25,097,926	26,341,880	26,679,168	27,947,659	28,516,386	28,460,782	28,674,147	29,442,437

TOWN OF HERNDON, VIRGINIA

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

**Table 2
Page 3**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Intergovernmental, non-categorical aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,725
Use of money and property	291,614	547,645	80,894	487,345	276,557	325,396	68,405	132,979	369,224	224,571
Gain on sale of capital assets	-	-	-	-	-	-	6,370	33,556	12,904	10,800
Miscellaneous	559,781	559,314	579,466	615,068	618,690	603,232	511,630	582,445	639,807	564,904
Transfers	9,979	217,583	175,892	2,109,986	386,638	174,904	155,593	144,987	218,825	12,302
Total business-type activities	861,374	1,324,542	836,252	3,212,399	1,281,885	1,103,532	741,998	893,967	1,240,760	1,262,302
Total primary government	23,742,840	25,503,323	25,934,178	29,554,279	27,961,053	29,051,191	29,258,384	29,354,749	29,914,907	30,704,739
Changes in net position:										
Governmental activities	(776,657)	(355,117)	(312,216)	(549,800)	1,773,917	3,436,736	1,333,705	3,287,145	2,734,833	3,468,616
Business-type activities	11,115	219,082	(28,828)	2,100,318	473,173	82,632	(324,139)	794,954	298,313	661,377
Total primary government	\$ (765,542)	\$ (136,035)	\$ (341,044)	\$ 1,550,518	\$ 2,247,090	\$ 3,519,368	\$ 1,009,566	\$ 4,082,099	\$ 3,033,146	\$ 4,129,993

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 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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable	\$ 465,104	\$ 437,038	\$ 396,781	\$ 319,403	\$ 274,029	\$ 291,196	\$ 338,093	\$ 252,186	\$ 211,510	\$ 166,659
Restricted	-	-	-	-	3,716	3,170	3,228	310,000	-	2,224
Committed	-	200,000	400,000	600,000	800,000	1,000,000	1,200,000	1,400,000	-	-
Assigned	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	5,338,176
Unassigned	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	13,293,488
Total General Fund	\$ 8,181,556	\$ 8,812,370	\$ 9,384,141	\$ 10,578,686	\$ 11,641,006	\$ 13,277,386	\$ 13,746,159	\$ 15,028,362	\$ 16,330,314	\$ 18,800,547
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	6,293,607
Committed	1,364,493	-	-	-	-	-	-	-	-	-
Assigned	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	5,308,565
Unassigned	-	-	-	-	-	(16,879)	(330,872)	(206,498)	-	-
Total all other governmental funds	\$ 10,458,778	\$ 10,475,682	\$ 10,067,527	\$ 9,700,040	\$ 7,187,762	\$ 7,970,281	\$ 7,968,834	\$ 8,285,942	\$ 13,043,391	\$ 11,602,172

Source:

Town of Herndon Finance Department - Exhibit A-3

TOWN OF HERNDON, VIRGINIA

Table 4

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
General property taxes	\$ 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	\$ 12,241,266
Other local taxes	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	14,212,059
Permits, privilege fees and regulatory licenses	394,406	307,471	576,155	532,695	522,048	630,218	559,488	603,773	1,057,412	585,191
Fines and forfeitures	525,648	586,607	491,067	632,491	547,939	463,312	423,335	452,965	485,008	353,593
Use of money and property	725,320	899,551	451,965	1,111,136	801,986	1,027,152	909,502	688,957	1,355,800	1,078,968
Charges for services	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	2,248,267
Miscellaneous	45,613	173,216	156,708	33,485	77,560	708,184	206,101	350,137	258,073	51,691
Intergovernmental	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	10,171,781
Total revenues	30,229,939	32,613,484	32,856,239	34,524,323	35,303,375	37,492,711	37,251,269	37,846,315	38,266,176	40,942,816
Expenditures:										
Legislative	621,830	574,002	633,519	622,325	626,639	654,549	698,951	699,202	713,209	500,752
Administration	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	2,978,610
Town attorney	580,099	465,714	494,245	535,633	545,434	476,792	476,844	489,362	471,179	676,293
Parks and recreation	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	3,934,039
Finance	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	1,508,139
Community development	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	2,102,628
Police	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	10,328,678
Public works	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	10,432,212
Grants	56,077	52,544	38,171	102,305	26,042	46,618	74,628	151,977	69,523	84,490
Capital outlay	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	5,220,582
Non-departmental	-	-	-	-	-	-	-	-	-	457,223
Debt service:										
Principal	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	1,388,246
Interest and fiscal charges	838,530	695,817	494,954	481,073	573,790	313,792	283,733	283,989	457,264	359,202
Total expenditures	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	39,971,094
Excess of revenues over (under) expenditures	(98,527)	728,332	309,632	985,875	(1,272,617)	1,994,040	622,919	775,298	2,303,505	971,722
Other financing sources (uses):										
Transfers in	755,777	666,003	584,487	1,048,074	1,043,888	1,474,921	1,535,807	1,335,013	827,525	234,281
Transfers out	(765,756)	(883,586)	(760,379)	(3,158,060)	(1,430,526)	(1,649,825)	(1,691,400)	(1,480,000)	(1,046,350)	(246,583)
Issuance of debt	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	92,459	-	-	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-	-	222,501	49,867
Proceeds from sale of property	19,995	27,375	29,876	1,951,169	-	14,927	-	-	65,954	19,727
Total other financing sources (uses), net	1,010,834	(80,614)	(146,016)	(158,817)	(177,341)	(159,977)	(155,593)	824,013	3,755,896	57,292
Net changes in fund balances	\$ 912,307	\$ 647,718	\$ 163,616	\$ 827,058	\$ (1,449,958)	\$ 1,834,063	\$ 467,326	\$ 1,599,311	\$ 6,059,401	\$ 1,029,014

TOWN OF HERNDON, VIRGINIA

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

**Table 4
Page 2**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 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	\$ 1,747,448
Total expenditures	\$ 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	\$ 39,971,094
Less: capital outlay	(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)	(5,293,568)
Noncapital expenditures	\$ 29,407,649	\$ 30,560,106	\$ 30,762,438	\$ 31,074,367	\$ 32,079,820	\$ 31,949,257	\$ 33,257,354	\$ 33,318,114	\$ 34,284,465	\$ 34,677,526
Debt service as a percentage of noncapital expenditures	8.82%	7.05%	6.50%	6.51%	7.03%	4.43%	4.13%	4.62%	5.25%	5.04%

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	Cigarette	Motor Vehicle	Consumer Utility and Consumption	Other (1)	Total
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
2020	12,241,266	5,767,393	1,573,340	1,897,945	2,845,607	209,757	455,175	874,759	588,083	26,453,325
Change 2011-2020	34.21%	52.24%	-28.90%	27.47%	146.46%	-46.24%	21.73%	-1.10%	-12.14%	31.72%

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

Notes:

(1) 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
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%
2020	2,631,535,050	2,098,506,390	123,942,449	260,867,840	5,114,851,729	4,853,983,889	4.61%	0.2650	4,853,983,889	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) Rates are per \$100 of assessed value.

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
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
2020	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.

TOWN OF HERNDON, VIRGINIA

Table 8

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

Taxpayer	2020			%	2011			%
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	
USGBF 499 Grove Street LLC	\$ 79,466,170	1	1.71		\$ -	-	-	
Worldgate Centre Owner LLC	73,506,310	2	1.58		59,845,880	2	1.75	
GSG Residential Westerly AT	72,182,040	3	1.56		-	-	-	
USGBF 399 Grove Street LLC	67,754,930	4	1.46		-	-	-	
GSG Residential Townes AT	72,182,040	5	1.56		-	-	-	
MIVPO LLC	61,246,740	6	1.32		46,220,430	7	1.35	
Washreit Monument II LLC	45,355,230	7	0.98		-	-	-	
Dulles Suites LLC	45,238,450	8	0.97		33,278,830	10	0.97	
460 Herndon Parkway LLC	42,809,580	9	0.92		-	-	-	
Monument III Owner LLC	42,321,760	10	0.91		47,662,130	6	1.40	
BP New Dominion Technology	-	-	-		77,815,140	1	2.28	
New Dominion	-	-	-		59,829,340	3	1.75	
EQR - Worldgate LLC	-	-	-		50,595,890	4	1.48	
EQR - Herndon LLC	-	-	-		48,016,820	5	1.41	
CLF Herndon LLC	-	-	-		40,053,040	8	1.17	
Washington Real Estate Investment Trust	-	-	-		37,756,410	9	1.11	
Total	\$ 602,063,250		12.97	%	\$ 501,073,910		14.67	%

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
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%
2019	11,965,659	11,794,199	98.57%	29,679	11,823,878	98.82%

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
2011	\$ 16,382,491	\$ 1,767,500	\$ 3,364,163	\$ -	\$ 21,514,154	1.30	911	\$ 16,382,491	48%	694
2012	15,388,576	1,730,000	3,166,900	-	20,285,476	1.19	861	15,388,576	43%	653
2013	14,009,445	1,590,513	2,961,603	-	18,561,561	1.13	787	14,009,445	36%	594
2014	12,594,199	1,451,514	2,747,420	-	16,793,133	0.98	712	12,594,199	32%	534
2015	12,464,958	87,397	2,609,488	-	15,161,843	0.85	642	12,464,958	30%	528
2016	11,353,283	83,158	2,355,385	-	13,791,826	0.76	583	11,353,283	27%	480
2017	10,253,274	78,794	2,036,746	-	12,368,814	0.66	521	10,253,274	24%	432
2018	10,031,639	-	1,771,516	-	11,803,155	0.63	496	10,031,639	23%	421
2019	12,354,914	-	9,352,703	3,681,872	25,389,489	1.35	1,060	12,354,914	27%	516
2020	10,947,964	-	8,817,990	3,419,303	23,185,257	1.17	964	10,947,964	23%	455

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, 2020
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt (2)
Fairfax County, Virginia	\$ 2,503,047,715	1.7628%	\$ 44,124,594
Town Direct Debt (3)			<u>10,947,964</u>
Total direct and overlapping debt			<u><u>\$ 55,072,558</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)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 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	\$ 473,004,144
Total debt applicable to limit	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	10,947,964
Available legal debt margin	<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>	<u>\$ 462,056,180</u>
Total debt applicable to the limit as a percentage of debt limit	5.53%	4.95%	4.18%	3.64%	3.09%	2.80%	2.46%	2.32%	2.73%	2.31%

Legal Debt Margin Calculation for Fiscal Year 2020:

Assessed value of real estate	<u>\$ 4,730,041,440</u>
Debt limit (10% of assessed value) (1)	473,004,144
Total Debt applicable to limit:	<u>10,947,964</u>
Available legal debt margin	<u>\$ 462,056,180</u>

Summary of Outstanding Debt:

2010 general obligation bonds	1,399,750
2010 refunding bonds	205,051
2012 refunding bonds	2,363,500
2014 refunding bonds	2,579,369
2018A general obligation bonds	706,000
2018B general obligation bonds	3,540,000
Deferred bond premiums	154,294
Total debt applicable to limit	<u>\$ 10,947,964</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)**

Water Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 7,389,157	\$ 5,966,717	\$ 1,422,440	\$ 284,450	\$ 246,885	531,335	2.68

Golf Course Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2020	1,247,685	1,269,174	(21,489)	111,993	22,783	134,776	(0.16)

Chestnut Grove Cemetery Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2020	879,318	531,954	347,364	161,511	23,014	184,525	1.88

Downtown Parking Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2020	\$ 36,486	\$ 24,383	\$ 12,103	\$ 5,000	\$ 38,975	\$ 43,975	0.28

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)
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
2020	24,042	82,441	1,982,047	188,355	7.8

Sources:

(1) Town of Herndon, Community Development Annual Population Estimate memo March 2020.

(2) www.bea.gov Tools>Interactive Data> Regional Data>GDP & Personal Income> Personal Income and Employment (CAINC1)>Fairfax County - updated November 14, 2019

(3) Actual enrollment is obtained from FCPS Approved Budget Book at www.fcps.edu.

(4) Virginia Employment Commission, www.virginiaworks.com Employment>Local Area Unemployment Statistics (LAUS) - Fairfax County June (Unadjusted).

TOWN OF HERNDON, VIRGINIA

Table 15

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

Employer	2020			2011	
	Number of Employees (1)	Rank	Percentage of Total Town Employment (2)	Number of Employees (3)	Rank
Fannie Mae	1,250-1,499	1	7.60%	-	-
Booz Allen Hamilton, Inc.	1,000-1,249	2	5.97%	-	-
Northwest Federal Union	500-749	3	3.27%	250-499	4
Amazon Web Services	250-499	4	2.62%	-	-
Peraton	250-499	5	1.90%	-	-
Serco	250-499	6	1.90%	-	-
Boeing Corporation	250-499	7	1.69%	250-499	2
Town of Herndon	100-249	8	1.31%	250-499	6
Physician Transport Service	100-249	9	1.28%	-	-
Karsun Solutions	100-249	10	1.09%	-	-
Airline Pilots Association	-	-	-	250-499	7
ITT Industries Inc.	-	-	-	250-499	1
REI Systems	-	-	-	250-499	3
Worldgate Sport & Health Club	-	-	-	250-499	5
Guident Technologies	-	-	-	250-499	8
Clear Wireless Broadband LLC	-	-	-	100-249	9
Medical Transportation Services	-	-	-	100-249	10
Total			<u>28.63%</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 2011 CAFR

Note:

- (1) Percentage of total town employment for fiscal year 2011 is not available.

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Legislative	4.0	4.0	4.0	4.0	3.5	3.0	3.9	3.1	2.9	3.4
Administration:										
Communications & economic development	1.5	1.5	1.6	2.4	2.7	2.8	2.8	2.9	3.0	2.7
Town manager	2.0	2.0	2.0	2.0	2.1	2.8	3.0	3.0	2.9	1.4
Human resources	3.5	3.4	3.4	3.1	3.5	3.6	3.7	3.8	3.7	3.8
Information services	5.3	6.0	6.0	6.1	5.9	6.1	5.5	5.9	6.3	6.2
Town attorney	2.6	2.8	2.8	2.6	2.6	2.5	2.7	2.7	2.8	4.1
Parks and recreation:										
Administration	4.2	4.6	4.9	4.0	5.1	5.7	5.8	5.8	5.8	5.6
Recreation programs	16.9	15.3	15.1	15.1	14.8	16.3	15.9	16.4	15.6	13.3
Community center operations	16.2	16.6	16.9	16.7	16.6	16.0	16.4	15.7	17.3	15.3
Aquatics programs and operations	13.3	13.7	13.3	13.1	13.8	12.1	13.4	13.9	14.0	11.1
Park operation and development	1.4	1.3	1.6	1.6	1.1	0.8	1.5	2.2	2.6	2.1
Finance:										
Administration	2.0	2.0	2.0	2.0	1.0	1.0	1.1	2.0	1.9	2.5
Accounting	5.0	5.0	4.9	4.7	5.8	5.8	6.3	6.2	5.7	5.0
Revenue	2.8	2.8	2.8	2.8	2.8	2.7	2.8	2.4	2.8	3.2
Procurement	1.0	1.0	1.0	1.0	0.6	1.0	0.8	1.0	1.0	1.0
Community development	22.3	21.5	19.2	18.7	18.2	14.8	15.5	14.5	16.3	16.8
Police:										
Field operations	44.1	49.9	48.9	48.4	46.6	45.1	47.1	42.2	42.3	42.9
Support services	33.9	29.8	31.9	33.4	35.4	34.8	35.0	35.3	34.4	32.3
Public works:										
Administration	6.1	6.9	7.0	7.0	7.0	6.9	6.5	6.5	6.3	5.9
Engineering	5.0	5.0	4.9	4.4	4.7	3.9	4.9	4.8	5.3	5.1
Program management	3.0	3.0	2.9	2.8	2.0	1.5	1.3	1.8	1.8	2.0
Building inspections	4.0	4.9	4.8	4.9	4.4	4.6	4.9	4.6	4.3	4.9
Building maintenance	8.3	8.4	8.5	8.0	7.2	7.2	7.0	7.0	6.8	6.0
Grounds maintenance	7.8	9.0	11.0	11.0	11.6	12.3	12.6	11.7	11.7	11.6
Street maintenance	10.3	8.7	9.8	11.0	9.8	10.3	10.2	9.7	8.7	8.9
Refuse/recycling	17.0	16.6	17.0	16.8	16.6	16.9	15.2	13.9	14.5	14.1
Vehicle and equipment replacement	10.3	9.2	9.4	9.4	10.5	10.5	10.0	8.9	8.9	8.0
Traffic engineering	3.1	3.0	3.1	3.2	3.2	2.6	3.1	3.0	3.0	2.6
Right-of-way inspections	3.1	3.1	3.0	3.1	3.1	3.1	3.0	3.0	3.0	2.8

TOWN OF HERNDON, VIRGINIA

Table 16
Page 2

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water and Sewer:										
Customer service	3.8	3.9	4.1	4.0	4.3	3.5	4.3	3.1	2.9	2.9
Sewer service and maintenance	5.7	3.3	4.4	5.3	5.2	5.1	4.8	5.2	5.4	6.7
Water supply and maintenance	5.6	8.1	7.7	7.3	8.3	7.7	7.4	6.7	5.2	4.4
Golf Course:										
Maintenance	7.2	7.2	7.2	7.5	7.3	6.8	7.3	6.7	6.5	6.4
Clubhouse	5.7	5.8	5.7	5.8	6.1	5.4	5.5	5.5	5.1	4.5
Chestnut Grove Cemetery:										
Administration	4.9	5.0	4.8	4.8	4.9	4.3	4.7	4.7	5.0	4.4
Total	292.9	294.4	297.9	298.0	298.3	289.6	296.0	285.8	285.8	274.0

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Calls for service (1)	28,100	27,700	30,900	28,990	36,230	35,520	21,967	24,253	23,246	23,102
Human Resources:										
Recruitments requests (1)	105	89	60	56	65	64	43	67	64	83
Building safety:										
Total building permits (2)	308	247	226	241	230	263	237	298	280	193
Total inspections performed (1)	3,421	2,928	2,628	2,613	2,844	3,496	3,433	3,340	4,460	3,096
Public service:										
Refuse collected (tons) (1)	5,948	5,860	5,248	5,670	6,250	6,410	6,537	6,309	6,358	6,179
Recycle collected (residential - tons) (1)	1,501	1,518	1,517	1,625	1,673	1,711	1,752	1,803	1,789	1,633
Parks and Recreation:										
Class and program attendance (1)	17,368	16,954	12,000	11,500	11,200	11,600	13,700	12,300	13,700	8,500
Herndon Festival attendance (1)	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)	50	78	15	25	20	35	26	75	3	3
Average daily water consumption (mgd) (2)	2.15	2.17	2.02	2.00	2.15	2.13	2.24	2.28	2.21	2.19
Average daily sewage treatment (mgd) (2)	2.50	2.47	2.24	2.66	2.46	2.44	2.67	2.88	3.36	3.02
Golf Course:										
Rounds played (18 and 9 hole) (1)	30,098	33,435	31,766	31,421	30,368	33,112	33,029	31,369	31,401	27,301
Cemetery:										
Interment rights for sites sold (1)	163	204	180	184	136	132	148	171	148	152
Interments performed (1)	117	138	124	129	139	140	133	161	140	153

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Stations (1)	1	1	1	1	1	1	1	1	1	1
Vehicles (1)	39	42	42	45	45	47	47	47	47	50
Refuse Collection:										
Collection trucks (2)	9	9	9	9	9	10	10	10	10	17
Other public works:										
Vehicles/equipment maintained (2)	374	378	379	385	424	429	533	567	552	514
Streets:										
Primary (miles) (2)	29.9	31.3	31.3	31.3	31.3	31.3	31.3	41.6	41.6	41.6
Secondary (miles) (2)	98.5	98.4	98.4	98.4	98.4	98.4	98.4	88.4	88.4	88.4
Parks & Recreation:										
Parks - number of acres (3)	97	97	97	97	97	97	137	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	83.4	84.7	84.7	84.7	84.9	85.0	85.0
Storage capacity (million gallons) (2)	3.3	3.3	3.3	3.3	3.3	3.3	2.0	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	81.9	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

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www.herndon-va.gov

COMPLIANCE SECTION

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**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, 2020, 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 20, 2020.

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) as a basis for designing 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item 2020-001.**

Town of Herndon's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 20, 2020

TOWN OF HERNDON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

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

Fire Programs Aid to Localities

State Agency Requirements

Urban Highway Maintenance

TOWN OF HERNDON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-001: Weldon Cooper Report/Highway Maintenance Testing

Condition:

The Weldon Cooper report initially submitted by the town incorrectly listed eligible expenditures as total expenditures, overstating eligible expenditures. The town immediately remedied the issue. Additionally, during highway maintenance testing procedures, there were instances in which equipment and labor rates submitted did not match those prescribed in the Urban Highway Manual. Also there was one instance of work completed on an ineligible street submitted for reimbursement to the Virginia Department of Transportation.

Criteria:

Per requirements set forth by the Commonwealth of Virginia, costs reported on the annual Weldon Cooper Center Local Finance Survey must be allowable costs for the maintenance, construction, or reconstruction of eligible streets and reported accurately.

Cause:

Labor and equipment rates used were incorrect, and work was completed on one ineligible street per the Urban Highway Manual.

Effect:

Inaccurate cost reporting on the annual survey.

Recommendation:

We recommend reviewing data input and work orders thoroughly before submission.

Management Response (Unaudited):

Finance will print a copy of the survey and use tick marks to trace and agree the inputs back to the support before submitting the electronic survey and the Department of Public Works will ensure all streets submitted are checked against the list of eligible streets. Each supervisor will be given the most up to date information on labor and equipment rates as they are updated and those number will be double check prior to submittal.