

# TOWN OF Herndon

VIRGINIA

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015



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**TOWN OF HERNDON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2015**

Prepared by the  
Department of Finance

# TOWN OF HERNDON, VIRGINIA

## TABLE OF CONTENTS

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<b><i>INTRODUCTORY SECTION</i></b>	
Letter of Transmittal	i – vii
Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
Directory of Officials	x

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<b><i>FINANCIAL SECTION</i></b>	
Independent Auditor’s Report	3 – 4
Management’s Discussion and Analysis	5 – 26
<i>Basic Financial Statements</i>	
Exhibit A-1 Statement of net position	27
Exhibit A-2 Statement of activities	28
Exhibit A-3 Balance sheet – governmental funds	29 – 30
Exhibit A-4 Reconciliation of the balance sheet of the governmental funds to the statement of net position	31
Exhibit A-5 Statement of revenues, expenditures and changes in fund balances – governmental funds	32 – 33
Exhibit A-6 Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	34
Exhibit A-7 Statement of revenues, expenditures and changes in fund balances – budget and actual – general fund	35 – 36
Exhibit A-8 Statement of net position – proprietary funds	37 – 38
Exhibit A-9 Statement of revenues, expenses and changes in net position – proprietary funds	39 – 40
Exhibit A-10 Statement of cash flows – proprietary funds	41 – 42
Exhibit A-11 Statement of net position – fiduciary fund	43
Exhibit A-12 Statement of changes in net position – fiduciary fund	44
Notes to financial statements	45 – 90

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*Required Supplementary Information*

Schedules of funding progress and schedule of employer contributions - other postemployment benefits	93
Schedule of changes in the town's net pension liability and related ratios - Virginia Retirement System	94
Schedule of town contributions – Virginia Retirement System	95

*Supplementary Information*

Exhibit B-1	Combining balance sheet – nonmajor governmental funds	100
Exhibit B-2	Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds	101

*Supplemental Schedules*

Exhibit B-3	General fund - balance sheet	105
Exhibit B-4	General fund - schedule of revenues – budget and actual	106 – 108
Exhibit B-5	General fund - schedule of expenditures – budget and actual	109 – 114
Exhibit B-6	Schedule of revenues, expenditures and changes in fund balances – budget and actual – Capital Projects and Information Systems Improvements Funds	115
Exhibit B-7	Capital projects fund - schedule of actual revenues and other financing sources (uses) compared with estimated revenues	116 – 124
Exhibit B-8	Capital projects fund - schedule of expenditures compared with authorizations	125 – 126
Exhibit B-9	Information systems improvement fund schedule of expenditures compared with authorizations	127
Exhibit B-10	Schedule of revenues, expenses and changes in net position – budget and actual – Water and Sewer Fund	128
Exhibit B-11	Schedule of revenues, expenses and changes in net position – budget and actual – Golf Course Fund	129
Exhibit B-12	Schedule of revenues, expenses and changes in net position – budget and actual – Chestnut Grove Cemetery Fund	130
Exhibit B-13	Schedule of revenues, expenses and changes in net position – budget and actual – Downtown Parking Fund	131

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**STATISTICAL SECTION**

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Table 1	Net position by component	136
Table 2	Changes in net position	137 – 139
Table 3	Program revenues by function/program	140
Table 4	Fund balances, governmental funds	141
Table 5	Changes in fund balances, governmental funds	142 – 143
Table 6	Tax revenues by source, governmental funds	144
Table 7	Assessed value and estimated actual value of taxable property	145
Table 8	Direct and overlapping property tax rates	146
Table 9	Principal property taxpayers	147
Table 10	Real property tax levies and collections	148
Table 11	Ratios of outstanding debt by type and general bonded debt outstanding	149
Table 12	Direct and overlapping governmental activities debt	150
Table 13	Legal debt margin information	151
Table 14	Bond coverage	152
Table 15	Demographic and economic statistics	153
Table 16	Principal employers	154
Table 17	Full-time equivalent town government employees by function/program	155 – 156
Table 18	Operating indicators by function/program	157
Table 19	Capital asset statistics by function/program	158

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**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*

161 - 162

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## **INTRODUCTORY SECTION**



**Arthur A. Anselene**

TOWN MANAGER

T(703) 787-7368

F(703) 787-7325

art.anselene@herndon-va.gov

**TOWN COUNCIL**

Lisa C. Merkel, Mayor

Jennifer Baker, Vice Mayor

David A. Kirby

Steven Lee Mitchell

Sheila A. Olem

Jasbinder Singh

Grace Han Wolf

November 25, 2015

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, 2015. The Herndon Town Charter, Section 4.2 (f), requires that the Town Manager arrange for an annual audit by a certified public accountant. In addition, Section 15.2-2511 of the *Code of Virginia* requires that all counties, cities and towns with populations greater than 3,500 as well as all towns with a separate school system, regardless of size, have their accounts and records audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia. This report is formally submitted to you in fulfillment of those requirements.

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

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

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

The town's financial statements have been audited by PBMares, 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, 2015 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, located in the northwest quadrant of Fairfax County, has a land area of 4.28 square miles and is situated twenty-three miles west of Washington, D. C. Incorporated in 1879, the town originally relied on dairy farming and the railroad to provide its economic security. 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 significantly. The estimated 2015 population is now 23,612 persons, housed in 7,908 dwelling units. If the town is developed according to the currently adopted Comprehensive Plan (master plan), it is anticipated that the 2030 population will increase to approximately 27,100 and 9,500 dwelling units.

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

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

## **ECONOMIC CONDITIONS AND OUTLOOK**

### **Local Economy**

Several economic and demographic factors heavily influence the town's revenue stream, including current and projected inflation rates, unemployment rates, retail sales volumes, new construction activities, real estate sales transactions, population movements and income per capita. For the past several years, Fairfax County has ranked in the top echelon of large U.S. counties with the highest median household incomes. According to the American Community Survey, the County's median household income in 2013 was \$109,383, the second highest in the nation for counties with populations of 250,000 or more.

During the past several years, Herndon has been recognized nationally by *Business Week*, *Money* magazines as well as CNN/Money.com and Forbes.com as one of the "best affordable suburbs" in the nation. The town is recognized for its kid-friendly events and activities and, in 2013, was ranked #12 by Forbes in its listing of "America's Friendliest Towns" with populations between 5,500 and 150,000. The town was cited specifically for its low unemployment rate, its community celebrations and its nature-themed festivals and initiatives.



Additionally, the town has been lauded as “a great base to explore the many jobs in the area. Herndon sits right near the Dulles Technology Corridor, where companies such as AOL, Microsoft, and Verizon are big employers.” The town has a significant corporate presence with such companies as Amazon Web Services; Boeing Company; Booz, Allen, Hamilton; and Harris Corporation located within its borders.

Many economists believe that the national economy, which slid into recession in December 2007, is continuing to slowly recover. The town itself achieved almost a four percent growth rate in its other local tax collections over the prior fiscal year. Many of these local taxes are dependent on consumer spending. Another hopeful sign is the U.S. unemployment rate which dropped from 6.1 percent in August 2014 to 5.1 percent in August 2015. Closer to home, Fairfax County’s unemployment rate, which peaked at 5.2 percent in June 2009 was at 3.4 percent by August 2015.

However, threats of further federal budget sequestration continue to exert a dampening influence on the local economy. Many area employers, especially those tied to the defense industry, continue to hold off adding new jobs or expanding their operations until there is more certainty. The town’s economic base is heavily dependent on businesses which perform information technology and other IT-related services for both the public and private sectors. Within this group, a large portion of the work is performed for such federal agencies as defense and homeland security. Thus, continued declines in federal contracting opportunities could have an adverse impact on the town’s business license assessments, meals tax collections and transient lodging tax collections as well as impact the value of its commercial properties.

Despite the continuing challenges and uncertainties, Herndon’s current economic health remains comparatively sound and the town’s business climate is strong. The town’s overall economic outlook (despite continuing federal budget deficit issues), assumes a continued modest rebound in property values for 2016 through 2018, along with modest growth rates of one to three percent in other local tax sources. With the planned extension of Metrorail to Dulles Airport, development of Herndon’s downtown according to the adopted master plan, the beginnings of development and redevelopment surrounding the Herndon Metrorail area and the strength of our business community in general, positive signs of economic vitality are evident.

### **Long-term Financial Planning and Outlook**

During the fiscal year, the Town Council adopted a new Vision for Herndon that focus 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-Monroe rail station at the southern edge of the town. This transit station is part of Phase 2 of Dulles Rail, a project that is expected to bring the Washington area Metrorail system (dubbed the “Silver Line”) to the Herndon area by 2019. 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.

Progress toward a vibrant, mixed-use development in Herndon's downtown advanced significantly during fiscal year 2015. In May 2015, the Town Council entered into a contract to purchase 1.67 acres of land from a private owner. With the purchase now concluded, the town has 4.7 acres of contiguous, town-owned land available for redevelopment. A solicitation requesting proposals from interested developers was drafted and released earlier this fall to the development community. Meanwhile, construction in the downtown - and throughout Herndon - of new, single family housing options are indicative of the town's healthy economic environment.

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, is on the cusp of a new era of growth. Over the next 20 years, population in the Dulles Corridor is expected to increase by 45 percent and job growth by 63 percent. This growth potential, along with steady increases in the number of new information system technology and security-related businesses, will have a positive influence on the town and its economic vitality.

## **FINANCIAL INFORMATION**

### **Financial Policies**

A key component of the town's annual budgetary planning process, which highlights the organization's commitment to fiscal integrity and sound financial management, is the town's financial policies. 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; limit combined outstanding and proposed debt such that the total is no greater than the town's maximum debt capacities; and retain the town's coveted AAA bond credit rating. The policies also address minimum General Fund unassigned fund balance requirements. In fiscal year 2013, the town established a revenue stabilization fund with guidelines for deposits to and withdrawals from the fund. At June 30, 2015, this fund contained \$800,000. During fiscal year 2015, the town established a new debt service reserve with an initial deposit of \$285,900. The purpose of the reserve is to set aside debt service capacity which could then be used to pay new debt service requirements in future fiscal years with minimal affect on the town's current real estate tax rate. The town's financial policies are reaffirmed annually by the Town Council as part of the town's budget adoption process.

### **Budgetary and Accounting Controls**

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.

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. After the Town Council approves the annual budget, the Town Manager has the authority to approve departmental transfer of funds up to \$30,000. Transfer amounts in excess of \$30,000 as well as any addition, deletion or transfer of reserved funds can only be accomplished with the approval of the Town Council.

Budgetary control is maintained at the department level with all departments having on-line access to expenditure account information. Additionally, departments are provided periodic updates of comprehensive financial data for each activity center within the department. These reports display approved budget amounts, detailed item-by-item expenditure and encumbrance transactions, transfers, and remaining budget balances.

Additional budget control is maintained within the town's purchasing system. Prior to the release of a purchase order to a vendor, funds must be encumbered. If the dollar amount of a purchase order request exceeds the allotment balance, the purchase order is not released until a proper transfer of funds has been approved and executed.

Written reports are presented to the Town Council throughout the year to keep them apprised of the town's financial activities. Included in the reports are narrative explanations of emerging trends for all major sources of revenues and expenditures.

## **OTHER INFORMATION**

### **Independent Audit**

The town requires that an annual independent audit be conducted on its financial statements by a certified public accountant selected through a competitive procurement process. For the year ended June 30, 2015, the firm of PBMares, LLP was retained to perform this service. PBMares' reports on the financial statements and compliance matters are located in sections two and four of this report.

### **Awards and Designations**

#### **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 twenty-sixth consecutive year that the town has achieved this award, confirming the town's commitment to its tree canopy and environmental stewardship.

#### **Golf Course**

By continuing its tradition of providing high quality playing conditions and delivering premium value for the dollar, the golf course remains a *Golf Digest* "Place to Play" and is currently recognized with a three-star rating. During the fiscal year, the course retained its designation as a "Certified Audubon Cooperative Sanctuary". The Audubon International program is designed to help staff plan, organize, implement and document a comprehensive environmental management program in areas such as environmental planning, wildlife and habitat management, chemical use reduction and water conservation.

## **Parks and Recreation**

The department of Parks and Recreation was recognized with an award from the Virginia Recreation and Park Society for a corporate partnership with Virginia Paving Company. In collaboration with the town's Public Works staff, the department and vendor installed several accessible paths to recreation amenities in the town's parks.

## **Human Resources and Risk Management**

Fiscal year 2015 was the sixth consecutive year the town successfully satisfied 100 percent of the Virginia Municipal League Insurance Programs (VMLIP) risk management guidelines. This achievement reflects the town's continuing efforts to ensure the safety of town citizen and employees. In addition, the town may be eligible to receive a five percent premium credit on its liability insurance.

## **Public Safety**

The Herndon Police Department was the first place winner in the state-wide Virginia Law Enforcement Challenge, an annual competition sponsored by the Virginia Association of Chiefs of Police. The award recognizes the department's commitment to addressing impaired driving, speeding, aggressive driving, and seat belt and passenger safety. In addition, the department earned an award for its "Click It or Ticket" seat belt use public outreach efforts.

## **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) 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, 2014. This was the fortieth 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Distinguished Budget Presentation Award**

GFOA has also awarded the town with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2014. This is the twenty-fourth 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. In July 2015, the town's budget documents for the fiscal year beginning July 1, 2015 were submitted to GFOA for consideration of another Distinguished Budget Presentation Award.

## ACKNOWLEDGEMENTS

The Town of Herndon has established and continues to maintain a stable financial position through strong, progressive management of financial operations combined with sound accounting and financial reporting practices. Appreciation is expressed to the Mayor and the members of the Town Council for their support and guidance and for the responsible manner in which they exercise their financial stewardship of the town.

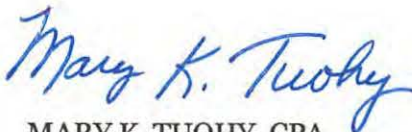
This report could not have been prepared without the dedication of the entire staff of the Department of Finance. We wish to express our appreciation to all who assisted in its preparation and to commend them for the professionalism they displayed throughout the year.

Finally, we would also like to express our appreciation to the town's independent auditing firm, PBMares, LLP, for their cooperation and assistance in these efforts. We also wish to acknowledge PBMares' timely guidance which assures the town's financial management and accounting is in compliance with GASB statements and other governmental accounting standards.

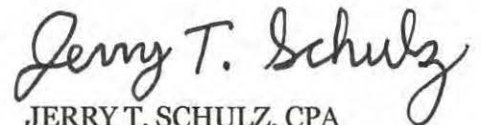
Respectfully submitted,



ARTHUR A. ANSELENE  
Town Manager



MARY K. TUOHY, 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

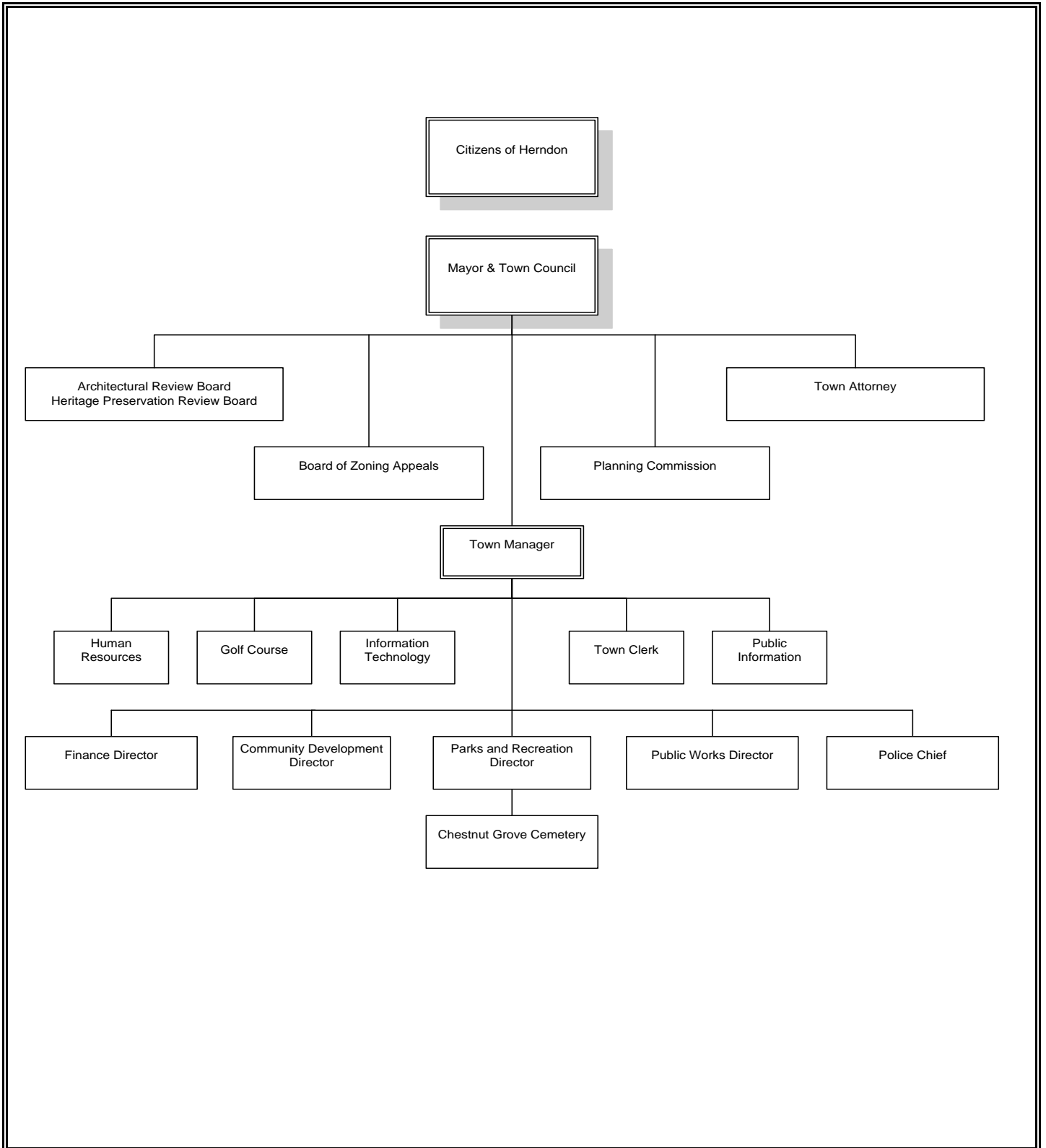
**Town of Herndon  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**TOWN OF HERNDON, VIRGINIA  
TOWN ORGANIZATION FISCAL  
YEAR 2014-2015**





Comprehensive Annual Financial Report  
Year Ended June 30, 2015

Directory of Officials

TOWN COUNCIL

**Mayor**

Lisa C. Merkel

**Vice Mayor**

Jennifer K. Baker

David A. Kirby  
Steven L. Mitchell  
Sheila A. Olem  
Jasbinder Singh  
Grace Han Wolf

MANAGEMENT TEAM

**Town Manager**

Arthur A. Anselene

**Town Attorney**

Lesa J. Yeatts

William H. Ashton, II  
Robert B. Boxer  
Anne P. Curtis  
Maggie A. DeBoard  
Gene A. Fleming  
Elizabeth M. Gilleran  
Tanya J. Kendrick  
Cynthia S. Roeder  
Mary K. Tuohy

**Town Clerk**

Viki L. Wellershaus

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

**Independent Auditor**

PBMares, LLP

Prepared by the Department of Finance, Town of Herndon, Virginia





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**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council  
Town of Herndon, Virginia  
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 (town), as of and for the year ended June 30, 2015, 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 and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the town'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 town'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 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 18 to the financial statements, the town restated net position of the governmental activities, business-type activities, and Golf Course Fund, Chestnut Grove Cemetery Fund, and Water and Sewer Fund to record the net pension liability and related components in accordance with the implementation of GASB Statement No. 68.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 5-26 and 93-95, respectively, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 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 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.

*PBMares, LLP*

Harrisonburg, Virginia  
November 23, 2015

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2015. Users of these financial statements are encouraged to consider the information presented here in conjunction with the town's basic financial statements and the information furnished in the transmittal letter found on page i of this report.

#### Financial Highlights

- The town's total net position at July 1, 2014 was restated to reflect the required application of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The restatement reduced the town's overall net position at the beginning of the fiscal year by \$7.8 million.
- The town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$109.7 million (*total net position*). Of this amount, \$23.2 million (*unrestricted*) may be used to meet the town's ongoing obligations to citizens and creditors.
- During the fiscal year, the net position for governmental activities increased by \$1.8 million due to several factors. These include decreases in functional area operating costs, such as general government administration, community development and police. In addition, several key revenue sources such as general property taxes, other local taxes, and capital grants and contributions fared quite well during the fiscal year.
- The net position for business-type activities also enjoyed a slight increase of \$473,000. Most of the increase is related to transfers in totaling \$387,000 from governmental activities. In addition, a significant reduction in operating expenses for the Water & Sewer Fund resulted in \$134,000 of net income for this fund.
- Total capital assets (exclusive of depreciation and amortization) increased by \$2.5 million with the continuation or completion of several major capital projects, such as:
  - Completing the Station Street improvements between Park Avenue and Pine Street. The street underwent significant upgrades that included the installation of waterlines, undergrounding of utilities, storm sewer improvements, curb and gutter, brick and concrete sidewalks, and other features, followed by regrading and repaving of the street itself.
  - Constructing the Herndon Parkway and Sterling Road intersection improvements which included widening the intersection to allow for more turn lanes. The project provides dual left turn lanes from northbound Herndon Parkway and an exclusive right turn lane from southbound Herndon Parkway onto westbound Sterling Road.
  - Constructing W&OD trail crossing improvements at the intersections with Crestview Drive, Ferndale Avenue, Grace Street and Van Buren Street.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### Financial Highlights (Continued)

- Erecting new Town of Herndon gateway signs at all seven major road entrances into the town. These uniquely designed and custom-made signs celebrate the town's community spirit and railroad heritage.
- Installing improvements at the Haley Smith Park which included new playground apparatus and completely rehabilitating the sand volleyball court. A permanent restroom and storage facility were also constructed.
- Purchasing two heavy duty trucks for use by the Department of Public Works. These purchases replaced two older trucks that were at the end of their useful lives and retired.
- Designing, engineering and procuring a virtual desktop infrastructure (VDI) solution for the town's information systems. Implementation of the VDI solution is expected to commence during fiscal year 2016.
- Replacing the water mains on Spring Street between Elden and Locust streets. Also completed during the fiscal year was the water main replacement on Center Street between Vine and Elden streets.
- Relining the sewer mains at Herndon Centennial Golf Course, Spring Street, Center Street and Station Street.
- Completing construction of the retrofits to the Herndon Centennial Golf Course's stormwater pond, a project funded by Fairfax County Stormwater Service District Tax collections.

These projects as well as equipment and additional vehicle purchases, and certain information technology and telecommunication upgrades were added to the town's capital asset inventory.

- As of the close of the current fiscal year, the town's governmental funds reported combined ending fund balances of \$18.8 million, a decrease of \$1.5 million from the previous fiscal year. The decrease is related to a significant decrease in the Capital Projects Fund fund balance, offset by a fund balance increase in the General Fund. Approximately 45 percent of the total governmental funds fund balance, which is \$8.5 million, is *available for spending* at the town's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned portion of fund balance for the General Fund was more than 27 percent of total General Fund expenditures, excluding transfers out from the fund.
- During the fiscal year, the town made all of its scheduled debt service payments. In addition, the town issued \$5,221,000 in refunding bonds to advance refund its 2005 and 2006 general obligation bonds and pay off the outstanding balance of its 2009 public improvement note. Total debt service savings is about \$489,000 over the next 12 years. The town's outstanding principal balance for total bonded debt (all funds) was \$15.2 million at June 30, 2015.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the town's basic financial statements. These basic financial statements consist of two different types, each of which presents a different view of the town's finances. The government-wide financial statements provide both long-term and short-term information about the town's overall financial condition. The fund financial statements focus on the operation of the individual funds that make up the town's government. The basic format used to display fund statement information is more detailed than the government-wide statements. The third component of the town's basic financial statements is the notes, which appear after the fund statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the town's finances, in a manner similar to private sector financial reporting. The first government-wide statement - the Statement of Net Position - presents information on all of the town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health 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.

A new reporting standard required the restatement of the town's total net position at July 1, 2014. This standard was issued by Governmental Accounting Standards Board (GASB) as Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and became effective for the town in fiscal year 2015. As explained by GASB, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. Contained in the Note section (Note 9) of this financial report are disclosures and required supplementary information concerning the town's pension plan.

The second statement - the Statement of Activities - presents information showing how the town's net position changed during the most recently concluded fiscal year. Changes in net position are captured and reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is actually received or paid. 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:

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Business-type Activities - The town has four business-type activities, which are 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 fund expenses.

#### **Fund Financial Statements**

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

Governmental funds – Most of the town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out; and (2) the balances remaining at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that assists financial statement users in determining whether there are more or fewer financial resources available in the near future to finance the town's programs and services.

Proprietary funds – These funds are used to account for the operation of services and activities that are financed in a manner similar to private business enterprises. Thus, costs generated by providing the activity or service are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both a short-term and long-term financial view. 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 fund – A fiduciary fund is used to account for resources (e.g., assets) held for the benefit of a party outside of town government. The town is responsible for ensuring the assets reported in the fund are used for their intended purpose. The town's fiduciary activities are reported in a separate statement of fiduciary net assets. The town excludes these activities from the town government-wide financial statements because the town cannot use these assets to finance its programs.

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 are located in the third section of this report and titled "Notes to Financial Statements."

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fund Financial Statements (Continued)**

Financial Analysis of the Town as a Whole

Table 1 below presents a Summary Statement of Net Position for fiscal year 2015 in comparison to the previous fiscal year:

**TABLE 1**  
**Summary Statement of Net Position**  
**June 30, 2015 and 2014**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 30,570	\$ 31,843	\$ 19,917	\$ 20,252	\$ 50,487	\$ 52,095
Capital assets, net	82,097	81,010	17,211	17,157	99,308	98,167
<b>Total assets</b>	112,667	112,853	37,128	37,409	149,795	150,262
<b>Deferred outflows of resources</b>	1,421	-	261	-	1,682	-
Current and other liabilities	6,443	6,339	1,538	2,014	7,981	8,353
Non-current liabilities	20,937	17,994	3,567	3,239	24,504	21,233
<b>Total liabilities</b>	27,380	24,333	5,105	5,253	32,485	29,586
<b>Deferred inflows of resources</b>	8,913	5,367	335	-	9,248	5,367
Net Position:						
Net investment in capital assets	69,544	66,965	14,602	14,409	84,146	81,374
Restricted	2,401	3,156	-	-	2,401	3,156
Unrestricted	5,850	13,032	17,347	17,747	23,197	30,779
<b>Total net position</b>	<b>\$ 77,795</b>	<b>\$ 83,153</b>	<b>\$ 31,949</b>	<b>\$ 32,156</b>	<b>\$ 109,744</b>	<b>\$ 115,309</b>

Presented below is a comparative analysis of the government-wide information.

**Statement of Net Position:**

Net position may serve over time as a useful indicator of the town's financial health. For the most recently concluded fiscal year, the town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$109.7 million. About 21 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 subcomponent, 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.



## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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The town uses its capital assets in providing services to its citizens; consequently, these assets are not readily available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets would not likely be used to liquidate these liabilities.

The town's total net position at July 1, 2014 was restated to reflect the required application of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The restatement reduced the town's overall net position at the beginning of the fiscal year by \$7.8 million. Of this amount, \$7.1 million was recorded as a reduction to the beginning net position attributed to governmental activities and the remaining \$700,000 reduction was attributed to business-type activities. The restated net position at July 1, 2014 was \$107.5 million.

After taking into account the restated net position as of July 1, 2014, the net position for governmental activities at the end of the current fiscal year increased by \$1.8 million due to several factors. These include decreases in functional area operating costs, such as general government administration, community development and police. Additional details concerning functional operating costs are provided in the section titled "Expenses" which is included the "Governmental Activities" presented in the following pages.

In addition, several key revenue sources such as general property taxes, other local taxes, and capital grants and contributions fared quite well during the fiscal year. Additional details concerning revenues are provided in the section titled "Revenues" which is included the "Governmental Activities" presented on the next page.

Total net position reported in connection with the town's business-type activities increased overall by \$473,000. The increase is tied to fiscal year-end net increases reported for the Water & Sewer Fund, Chestnut Grove Cemetery Fund and Downtown Parking Fund which were \$134,000, \$104,000 and \$420,000, respectively. The largest increase in net position occurred in the Downtown Parking Fund which enjoyed an increase of \$420,000. This increase is due to transfers in from the General Fund for the town's annual \$200,000 dedication of "seed money" toward the future construction of a parking garage in the downtown. Also transferred in were additional funds to augment the purchase of the Ashwell property in fall 2015. Further analysis concerning the nature of these increases and decreases is discussed on the next page under "Business-type Activities."

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### **Statement of Activities:**

##### **Governmental Activities**

Revenues: For the fiscal year ended June 30, 2015 revenue from governmental activities totaled \$35.3 million. Sources of revenue for fiscal year 2015 are comprised of many different types with taxes (both general property and other local taxes) constituting the largest source of town revenues.

As of January 1, 2014, the assessed value of real property within the town increased 4.4 percent over the prior year. The recent assessments reaffirm that residential real estate continues to recapture much of the values lost during the three years immediately preceding January 1, 2010. With the increase in assessments, the town's general property tax collections increased \$481,000 over the prior fiscal year.

Though general property taxes constitute the single largest tax source to the town, the town also assesses other local taxes and fees that are primarily consumer-related. These other local revenue sources are consumer utility tax, bank stock tax, cigarette tax, business license (BPOL) fees, transient occupancy (hotel/motel) tax, meals tax and the town's share of the local sales tax. Of the taxes just mentioned, the latter four are considered major local tax sources for the town.

Remittances attributed to the town's major local tax sources enjoyed an overall increase of about four percent in comparison to the prior fiscal year. A majority of the increase is tied to business license tax collections which surpassed the prior fiscal year's collections by two percent and the current year budget projection by 22 percent. It's important to note that these taxes are based on the prior calendar year's business gross receipts and may not reflect more recent economic activities, such as the continuing impact of federal budget constraints (known as sequestration). In this regard, the town's current fiscal year transient lodging tax collections were a better indicator of the effects of federal spending, with current collections growing almost five percent over the prior fiscal year. Transient lodging tax collections for the current fiscal year are about two percent below amounts collected during fiscal year 2012 and well ahead of collections for fiscal years 2013 and 2014.

In addition to general and other local taxes, the town received capital grants and contributions totaling almost \$2 million. Major grant-related capital projects undertaken this fiscal year included the second phase of downtown streetscape improvements; construction of a new sidewalk along Park Avenue, near Dranesville Road; construction of the Station Street improvements project; and long-awaited improvements to the intersection at Herndon Parkway and Sterling Road. Also reimbursed were costs associated with engineering and concept studies of the intersection of Center and Elden streets and the "Trails to Herndon Metro Rail" capital project. Also included in capital grants and contributions are a portion of the town's annual state allocation for highway maintenance and additional Virginia Department of Transportation (VDOT) grant funding for major road repaving under the VDOT Revenue Sharing program.

Miscellaneous revenues for the current fiscal year were on target with expected results. The significant amount recorded for the prior fiscal year was due to the sale of town-owned land at \$1.9 million. This land is now being developed as the Vinehaven residential subdivision.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Expenses: Expenses for governmental activities, including interest on debt service, totaled \$33.1 million which is a four percent decrease from the prior fiscal year. The decrease in expenses occurred mostly within general government administration. Prior fiscal year expenses for this functional area included the value (or cost basis) of the town's land sold to create the Vinehaven residential subdivision. Current fiscal year general government administrative costs at \$5.4 million are more typical of this functional area. Overall, cost increases were anticipated as part of the town's adopted budget for fiscal year 2015. These included a market rate adjustment (MRA) effective July 1; a modest pay-for-performance program and a merit percent increase for sworn police personnel. Also, premium costs for employer-provided benefits, such as life insurance, health care, and the employer-portion of contributions to the Virginia Retirement System (VRS) added to the overall increase in expenses.

As indicated in Table 2, the town's three largest and highest priority programs (other than general government administration which actually represents four functional areas) are police, public works and parks and recreation. These three programs, when taken together, comprise 77 percent of total governmental expenses.

During the current fiscal year, governmental-type activities increased the town's net position by \$1.8 million.

#### **Business-type Activities**

The town has four business-type activities, which are segregated and accounted for as enterprise funds. During the current fiscal year, business-type activities increased the town's net position by \$473,000. The following narrative highlights the financial activities of the town's enterprise funds.

Water and Sewer Fund: Total operating and nonoperating revenues amounted to \$7.0 million, with water and sewer availability fees and interest earnings (a combined \$591,000) accounting for approximately eight percent of total revenues. Total user charges assessed for water sales and sewer services during the fiscal year, at \$5.9 million, were about one percent less than the previous fiscal year.

Operating expenses of the fund, which totaled \$6.8 million, included wholesale sewer conveyance charges of \$3.1 million, wholesale water purchases of \$1.1 million as well as \$68,000 in installment payments toward the purchase of an additional 1.0 million gallons per day (MGD) of water capacity from Fairfax Water. The fund's net position increased during the fiscal year by \$134,000. This is the fund's first realized net gain since fiscal year 2012.

Golf Course Fund: Total operating revenues amounted to \$1,368,000 and represent a decrease of about four percent from the previous fiscal year. Revenues earned correspond to the total number of golf rounds played (at 30,400) which also declined in comparison to the previous fiscal year. The primary factor behind the decline was unfavorable weather conditions that impacted operating days and rounds played. Sixty percent of the revenue decrease in fiscal year 2015 occurred during the month of June, the second rainiest month on record. With collections trending below revenue projections, efforts were made to reduce anticipated and authorized expenses without compromising standards of service.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Operating expenses of the fund, which totaled \$1,521,000, included personnel costs, turf maintenance and other operating supplies, depreciation and amortization costs and other miscellaneous expenses. In addition, construction activities for renovating the course's stormwater pond were completed during the fiscal year. These improvements were funded through Fairfax County's Stormwater Service District Tax collections. Even with concerted cost saving measures and capital contributions, the fund's net position decreased \$185,000 at fiscal year end.

Chestnut Grove Cemetery Fund: Total operating revenues amounted to \$773,000 and represent a decrease of eight percent from the previous fiscal year. All of the decrease is attributed to the sale of cemetery sites which declined by \$147,000 in comparison to the previous fiscal year. During the fiscal year, the cemetery sold 136 rights of interment (including cremation sites), and performed 139 burials.

Operating expenses of the fund amounted to \$649,000 and included depreciation and amortization expenses attributed to the administration and maintenance buildings. Nonoperating expenses included \$48,000 in bond interest expense. At the conclusion of the fiscal year, the fund's net position increased significantly by \$104,000.

Downtown Parking Fund: Total operating and nonoperating revenues amounted to \$48,000 and consisted of annual parking maintenance fees; partial recovery of a previously written-off promissory note; and interest earnings on outstanding public shared parking promissory notes. Operating expenses of the fund totaled \$28,000 and included depreciation and amortization expenses of \$4,000. The fund also received \$400,000 of transfers in from the General Fund. Of this amount, \$200,000 represents the annual contribution set aside for the future construction of a parking garage in the downtown. The remaining \$200,000 is to augment funding for the acquisition of the Ashwell property set to close in fall 2015. At the conclusion of the fiscal year, the fund's net position increased by \$420,000.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table summarizes the changes in net position for the town for the fiscal years ended June 30, 2015 and 2014:

**TABLE 2**  
**Summary of Changes in Net Position**  
**Fiscal Years Ended June 30, 2015 and 2014**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,538	\$ 4,447	\$ 7,961	\$ 8,180	\$ 12,499	\$ 12,627
Operating grants and contributions	1,738	1,744	376	438	2,114	2,182
Capital grants and contributions	1,955	1,610	17	154	1,972	1,764
<b>Total program revenues</b>	<b>8,231</b>	<b>7,801</b>	<b>8,354</b>	<b>8,772</b>	<b>16,585</b>	<b>16,573</b>
<b>General revenues:</b>						
General property taxes	10,964	10,483	-	-	10,964	10,483
Other local taxes	13,318	12,851	-	-	13,318	12,851
Use of money and property	802	1,111	276	487	1,078	1,598
Intergovernmental non-categorical aid	1,816	1,938	-	-	1,816	1,938
Miscellaneous	166	2,069	619	615	785	2,684
<b>Total general revenues</b>	<b>27,066</b>	<b>28,452</b>	<b>895</b>	<b>1,102</b>	<b>27,961</b>	<b>29,554</b>
<b>Total revenues</b>	<b>35,297</b>	<b>36,253</b>	<b>9,249</b>	<b>9,874</b>	<b>44,546</b>	<b>46,127</b>
<b>Expenses:</b>						
General government administration	5,412	6,531	-	-	5,412	6,531
Parks and recreation	4,733	4,660	-	-	4,733	4,660
Community development	1,805	1,980	-	-	1,805	1,980
Police	9,174	9,548	-	-	9,174	9,548
Public works	11,501	11,531	-	-	11,501	11,531
Interest	511	443	-	-	511	443
Water and sewer	-	-	6,870	7,589	6,870	7,589
Golf course	-	-	1,568	1,554	1,568	1,554
Chestnut Grove cemetery	-	-	697	708	697	708
Downtown parking	-	-	28	33	28	33
<b>Total expenses</b>	<b>33,136</b>	<b>34,693</b>	<b>9,163</b>	<b>9,884</b>	<b>42,299</b>	<b>44,577</b>
Change in net position before transfers	2,161	1,560	86	(10)	2,247	1,550
Transfers	(387)	(2,110)	387	2,110	-	-
Change in net position	1,774	(550)	473	2,100	2,247	1,550
Net position, July 1, as restated	76,021	83,703	31,476	30,056	107,497	113,759
Net position, June 30	<u>\$ 77,795</u>	<u>\$ 83,153</u>	<u>\$ 31,949</u>	<u>\$ 32,156</u>	<u>\$ 109,744</u>	<u>\$ 115,309</u>

Ending net position at June 30, 2014 does not match beginning net position as of July 1, 2014. This is due to implementation of GASB Statement No. 68. Information to restate fiscal year 2014 is not available.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### 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, which accounts for all transactions related to general town construction projects (with the exception of construction related to the enterprise funds) and two non-major governmental funds. The non-major governmental funds are the Information Systems Improvement Fund (which accounts for the acquisition and installation of automated equipment, telecommunications and other information systems improvements) and the Chestnut Grove Cemetery Perpetual Care Fund (which accounts for the accumulation of resources to be used for the perpetual care and maintenance of the Chestnut Grove Cemetery).

Governmental fund balance portions are allocated into five categories. These categories are "nonspendable", meaning the amounts are not in a spendable form, such as inventories; "restricted", meaning externally imposed restrictions or enabling legislation exist on the amounts reported; "committed", meaning internally imposed restrictions authorized by the government's highest level of decision-making authority exist on the amounts reported; "assigned", meaning the government intends to use the amounts reported for a specific purpose; and "unassigned", meaning the amounts reported have not been assigned to other funds nor have they been restricted, committed, or assigned to a specific purpose in the General Fund. At the end of the current fiscal year, the total General Fund fund balance was \$11.6 million with the unassigned portion totaling \$8.5 million. This amount represents almost 27 percent of the General Fund's total expenditures for fiscal year 2015.

The Capital Projects Fund's fund balance was \$5.6 million at fiscal year-end and represents assets dedicated to subsequent years' capital expenditures.

The fund balance of the town's General Fund increased by \$1.1 million during the fiscal year, which is significant since the final budgeted decline was projected at \$1.3 million. Specific details concerning governmental financial activities are as follows:

#### Revenues:

- Based on the annual assessment as of January 1, 2014, the value of real property within the town increased 4.6 percent over the prior year and confirmed that real property assessments had continued to regain much of the values lost during the prior "Great Recession" years of 2008 through 2011. With the increase in assessments, the town's general property tax collections increased \$470,000 (or about four percent) over the prior fiscal year.
- Six of the town's eleven other local tax sources enjoyed slight, moderate or (in some cases) significant increases over the previous fiscal year. The more noteworthy increases occurred in transient occupancy taxes, bank stock taxes, business license taxes, the town's share of local sales taxes, and meals taxes.
- Some local tax sources were either stagnant or declined in comparison to the previous fiscal year. These included right-of-way use fees, cigarette taxes, and motor vehicle licenses. Collections from permits, privilege fees and regulatory licenses also decreased slightly in comparison to the prior fiscal year.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Court fees remitted from Fairfax County decreased about 13 percent from amounts collected during the previous fiscal year. As noted over the past several years, court fines are difficult to predict since the imposition of these fines is up to the discretion of the presiding judge. Some judges favor community service sentencing in lieu of monetary fines while others adhere to increased financial sanctions.
- Various short-term and medium-term investment instruments assigned to the governmental funds garnered \$253,000 in interest earnings during the fiscal year, which is net of a \$223,000 deduction to current fiscal year earnings due to the application of Governmental Accounting Standards Board (GASB) Statement No. 31 and its “mark to market” requirements. Interest rates on the town’s investment vehicles had a weighted average of about three percent. Revenue from interest on investments is highly dependent on Federal Reserve actions which, in turn, influence interest rates across the entire spectrum.
- Intergovernmental revenues, which totaled \$5,509,000, included grant reimbursements from Fairfax County totaling \$217,000. These funds included partial use of the town’s share of operational funding under the Fairfax County Stormwater Service District Tax; contributions toward the town’s tourism and economic development initiatives and a one-time grant to subsidize the salary and benefits of the town’s bilingual housing specialist. Under state aid, the town received payments for police reimbursement, a pro-rata share of the state’s communication sales and use tax, Internet Crimes Against Children (ICAC) funding managed by the Department of Criminal Justice Services, street and highway maintenance funding, a pro-rata share of the state’s fire fund monies, a litter control grant and vehicle rental taxes. The town received its first reimbursement under the new HB 2313 funding stream for constructing the road improvements at the intersection of Herndon Parkway and Sterling Road. Also reimbursed were certain VDOT revenue sharing capital projects such as the Station Street and Dranesville Road improvement projects and major road repaving efforts.
- Federal grant receipts included reimbursements for various selective enforcement and other police grants under the federal Department of Justice and Department of Transportation; purchase of a snowplow for an alternative fuel dump truck; and use of the seized assets under the federal equitable sharing program for additional police operating equipment. Also reimbursed were costs associated with construction of two W&OD Trail crossings, and initiation of the next phase of the downtown streetscape improvements project.

#### Expenditures:

Personnel cost increases were anticipated as part of the town’s adopted budget for fiscal year 2015. As part of the town’s organizational restructuring, two vacant positions were eliminated and one position which had been previously “frozen” (i.e., not funded) was restored to active. Since fiscal year 2009, the town’s list of authorized regular and part-time positions has contracted from 285 positions to 260 positions, a drop of eight percent. In addition, the pay-for-performance program was strengthened with a 2.5 percent average increase for regular status employees and a two percent merit pay increase for eligible sworn police officers. In addition, premium costs for employer-provided benefits, such as life insurance, health care, and the employer-portion of contributions to the Virginia Retirement System (VRS) added to the overall increase in expenses.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- During fiscal year 2015 a number of new economic development and promotional initiatives occurred. These included the first annual Mayor's New Business Breakfast; business promotion to attendees of the World Police & Fire Games and the Korean American Games. Town staff continued to collaborate with its consultants in promoting the DineONHerndon.com website. The website was introduced a few years ago and provides information on the town's many restaurants. As in the prior fiscal year, a variety of channels were accessed for advertising and promoting the town such as WTOG Radio, Fairfax Connector busses and other promotional avenues. Also conducted during the fiscal year was a town-wide citizen opinion survey, the first comprehensive survey since fiscal year 2009. The survey found that an overwhelming majority of citizens (almost 94 percent) are satisfied with their quality of life living in the town. Expenditures for all of these initiatives totaled about \$82,000.
- Parks and recreation expenditures for the current fiscal year included staffing and operating costs associated with the Community Center operations. During the fiscal year, further refinements were made to Center admissions options available to patrons. The Center continued its approach to phasing in the replacement of aging recreational equipment. Three new elliptical machines were purchased for the fitness room and a plan developed for replacing the remaining cardio equipment as part of the upcoming fiscal year 2016 budget.
- Department of Community Development expenditures were below expenditures incurred during the prior fiscal year due to position vacancies and reduced use of professional consulting services. The department continued working on the town's two major planning initiatives which are preparation for the arrival of Metrorail's Silver Line to the south of town and downtown redevelopment. The department was also successful in obtaining a \$10 million grant from the state for its East Elden Street improvement project.
- Police department expenditures for the fiscal year included acquiring needed replacement police cruisers and other public safety equipment and supplies. In addition, all sworn police personnel were eligible to receive a two percent merit increase effective on their individual anniversary dates. All regular town personnel, including sworn police, also received a one percent market rate adjustment (MRA) pay increase effective July 1, 2014.
- Costs in the Department of Public Works are related to the management and maintenance of town streets, sidewalks, storm drainage, grounds, buildings, vehicles and equipment, park lands and other town-owned or town-managed facilities. During the fiscal year, town engineering and program management staff oversaw several ongoing private development projects for proper compliance with site plan regulations and managed many town capital improvement projects, several of which are discussed in greater detail under the Capital Assets section of this report. Key capital projects undertaken include initiating construction on the improvements at the intersection of Park and Monroe streets; final completion of the full array of improvements along Station Street between Park Avenue and Pine Street; and completion of the improvements at the intersection of Herndon Parkway and Sterling Road. Also included were costs for repair, maintenance and fuel for the town's fleet of vehicles and equipment.
- Total debt service payments for the current fiscal year were \$233,000 more than the previous fiscal year primarily due to the refunding of the town's 2005 and 2006 outstanding general obligation bonds and its 2009 public improvement note.



## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- During the fiscal year, the town incurred \$4.8 million in expenditures for several major capital projects and information systems improvements. A detailed discussion of the more significant projects can be found in the Capital Assets section presented in a later section of this report.

Proprietary funds - The town's enterprise funds, which are a type of proprietary fund, provide the same type of information found in the government-wide financial statements, but in greater detail. At June 30, 2015 the unrestricted net position for each of the four enterprise funds were as follows:

- Water and Sewer Fund with an amount of \$12,979,000
- Golf Course Fund with an amount of \$429,000
- Chestnut Grove Cemetery Fund with an amount of \$412,000
- Downtown Parking Fund with an amount of \$3,528,000

#### GENERAL FUND BUDGETARY HIGHLIGHTS

In developing the town's fiscal year 2015 budget and CIP program, the 2030 Vision Plan adopted by the town council in December 2010 (along with the individual goals and objectives contained in the Plan) provided staff with overall guidance. Goals and objectives specific to the development and execution of the fiscal year 2015 budget were:

- Maintain the town's real estate tax, meals tax and all other local taxes at their current rates
- Continue to allocate resources to strategic capital projects such as major road improvements, downtown redevelopment and planning for Metrorail's Silver Line
- Implement economic development strategies to enhance the town's economic base, including brand and promotional efforts
- Continue to allocate \$750,000 of the town's meal tax collections to support downtown utility relocation, major road repaving, future funding of a downtown parking garage, and targeted promotion of the town's restaurant industry
- As budget conditions permit, maintain a static debt service budget which will allow available funds to be set aside for anticipated future debt service needs
- Provide staffing or contract resources to support planning, design and construction of expanded roadway improvements
- Maintain regular-status positions at the fiscal year 2014 level and provide recommendations for eliminating some or all "frozen" positions
- Consider options to strength the town's pay-for-performance program
- Provide resources to continue employee development training, customer service programs, and incentives for recognizing and rewarding employee excellence
- Leverage available technology, especially in areas that improve business processes

The total original adopted fiscal year 2015 budget, including interfund transfers, was \$32.8 million which is about 0.9 percent (0.90%) more than the original budget for fiscal year 2014. Most of the increase is related to an increase in debt service, capital outlay (including funding for capital projects) and interfund transfers.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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The real estate assessment at January 1, 2014 (residential and commercial combined) was approximately \$4.051 billion which was an increase of 4.6 percent over the assessments at January 1, 2013. All of the increase in assessed values was tied to the residential property sector.

In contrast, projected revenues attributed to consumer-related sources, such as business license fees, transient lodging taxes and meals taxes assumed little, if any, growth due to the continued anticipated negative impacts of federal sequestration.

At the conclusion of the fiscal year, actual revenues were \$1.4 million (or about 4.3 percent) more than final budgeted amounts. Much of this variance is related to substantial collection increases in other local taxes (principally transient lodging taxes, business license fees and meals taxes), and permits and privilege fees. With the resurgence of construction throughout the town, especially new, single family housing options, the town levied almost \$400,000 in building inspection fees and permits during the fiscal year.

#### Revenues:

- Real property assessment values as of January 1, 2014 increased overall by 4.6 percent above assessments for the previous year, with the residential sector of the tax base experiencing an overall assessment growth of eight percent, followed by the commercial sector which declined by slightly less than one percent. The town's real estate tax rate remained at \$0.2650 per \$100 of assessed value.
- Actual real estate tax collections were about \$60,000 more than projected due to higher than anticipated current and delinquent tax collections as well as supplemental property assessments generated by Fairfax County. The gain was offset by the tax relief granted to qualified elderly and disabled residents. Real property assessments of land and buildings within the county and its towns, as well as subsequent supplements and exonerations, are conducted by the county's Division of Real Estate Assessment. These assessments, supplements and exonerations are used by the town to levy the town's own real estate taxes.
- Remittances attributed to all of the town's four major local taxes enjoyed an overall increase of 15 percent in comparison to the original budget. A majority of the increase is tied to significant business license tax collections which surpassed the fiscal year's budget by 22 percent. The budget projections for fiscal year 2015 were built assuming the continued negative impacts of federal sequestration. However, actual transient lodging tax collections exceeded the budget projection by \$255,000. The collections are still about two percent below amounts received during fiscal year 2012. Combined collections from other local tax sources for fiscal year 2015 were 13 percent (or about \$1,517,000) above the budgeted amount for the fiscal year.
- Actual revenues from permits, privilege fees and regulatory licenses also exceeded budgeted amounts by \$221,000 or 73 percent over the estimate. The current fiscal year saw reinvigorated developer and construction activities with the initiation of the Vinehaven residential subdivision in the downtown. Also occurring was build-out of the Monroe Hill residential subdivision, the start of several single-lot residential housing units throughout the town as well as tenant build-out projects within the commercial areas.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Interest earnings and rental payments together were six percent below budget projections due, in part, to the application of GASB 31 and its negative effect on interest income. The town's commercial property at 397 Herndon Parkway was fully leased as of August 2013 and contributed \$536,000 in rental payments to the town. The town had budgeted \$554,000 from this revenue source.
- Actual revenue from charges for services was slightly more than three-fourths of one percent (or \$28,000) more than budgeted amounts. The increase is mostly attributed to revenues earned from the Herndon Festival, offset by declines in recreation program charges and admission fees. Also enjoying modest increases were parks and recreation rental income and fees from the indoor-tennis/ multi-use facility.
- Overall, total actual intergovernmental revenues were about four percent (or \$187,000) less than projected amounts. The decrease is related to a revenue sharing grant administered by the Virginia Department of Transportation for road repaving. Cost of the repaving was actually charged to the town's Capital Projects Fund, thus the grant revenue was recognized in that fund and not the General Fund, as anticipated.

#### Expenditures:

A large variance of \$1.3 million between actual expenditures (excluding transfers out) and the final budget was due to several circumstances. Comparing the final budget to actual expenditures reveals the following highlights:

- Expenditure amounts for most operating departments (with the exception of town attorney, grants and debt service) were less than the final budgets due to less than anticipated operating costs in such areas as economic development, professional planning services and delayed acquisition of vehicles and other capital equipment, particularly in public works. Funding for many of these budgeted items was subsequently carried-over and incorporated into the fiscal year 2016 budget. Also favorably impacting the budget were employee vacancy savings throughout the fiscal year, much of which was attributed to vacant community development, police and public works positions. In addition, the original budget was increased by \$1,132,000 through the first budget amendment enacted in July 2014. This budget amendment established the fiscal year 2015 carry-over appropriations for outstanding purchase orders and authorized reserves as of June 30, 2014.
- The fiscal year 2015 debt service budget did not anticipate the refunding of the 2005 and 2006 general obligation bonds and the 2009 public improvement note which occurred in October 2014. Part of the refunding called for applying the outstanding bank escrow cash available from the 2009 note against the outstanding balance owed on the note. This transaction was recorded as an additional principal payment of \$621,000.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

The town's investment in capital assets at June 30, 2015, which amounted to approximately \$99 million (net of accumulated depreciation and amortization), is summarized in Table 3. For comparative purposes, amounts from the previous fiscal year are also displayed.

**TABLE 3  
Summary of Capital Assets  
June 30, 2015 and 2014  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital assets, not being depreciated or amortized:						
Land and easements	\$ 24,639	\$ 24,612	\$ 3,504	\$ 3,418	\$ 28,143	\$ 28,030
Construction in progress	922	1,609	117	819	1,039	2,428
<b>Total capital assets, not being depreciated or amortized</b>	<b>25,561</b>	<b>26,221</b>	<b>3,621</b>	<b>4,237</b>	<b>29,182</b>	<b>30,458</b>
Capital assets, being depreciated or amortized:						
Infrastructure	78,680	78,590	-	-	78,680	78,590
Buildings	40,936	40,800	3,485	3,579	44,421	44,379
Improvements other than buildings	13,752	10,342	31,299	29,617	45,051	39,959
Machinery and equipment	9,484	10,496	2,009	2,575	11,493	13,071
Furniture and fixtures	2,087	1,875	202	208	2,289	2,083
Intangibles	1,213	1,281	265	268	1,478	1,549
<b>Total capital assets, being depreciated or amortized</b>	<b>146,152</b>	<b>143,384</b>	<b>37,260</b>	<b>36,247</b>	<b>183,412</b>	<b>179,631</b>
<b>Less total accumulated depreciation and amortization</b>	<b>(89,616)</b>	<b>(88,595)</b>	<b>(23,670)</b>	<b>(23,327)</b>	<b>(113,286)</b>	<b>(111,922)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>56,536</b>	<b>54,789</b>	<b>13,590</b>	<b>12,920</b>	<b>70,126</b>	<b>67,709</b>
<b>Capital assets, net</b>	<b>\$ 82,097</b>	<b>\$ 81,010</b>	<b>\$ 17,211</b>	<b>\$ 17,157</b>	<b>\$ 99,308</b>	<b>\$ 98,167</b>

During the fiscal year, the town incurred expenditures for several major capital projects and information systems improvements. Expenditures involving conceptual studies and initial design plans will, in all likelihood, result in the construction of major facilities and street infrastructure during the next several years.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Major capital expenditures incurred during the fiscal year were for the following capital projects:

- Station Street Improvements: This project between Park Avenue and Pine Street underwent significant upgrades that included the installation of waterlines, undergrounding of utilities, storm sewer improvements, installation of curb and gutter, brick and concrete sidewalks, handicap ramps, crosswalks and tree grates, as well as re-grading and repaving the street itself. This project, which was substantially completed in fiscal year 2015, has contributed to traffic calming and pedestrian safety.
- Herndon Parkway and Sterling Road Intersection Improvement: This intersection, a major traffic congestion point, was widened to allow for more turn lanes. This project provides dual left turn lanes from northbound Herndon Parkway and an exclusive right turn lane from southbound Herndon Parkway onto westbound Sterling Road. Extension of the existing sidewalk on the north side of Sterling Road to Rock Hill Road is currently in design.
- W&OD Trail Crossing Improvements: These trail crossing improvements were completed at intersections with Crestview Drive, Ferndale Avenue, Grace Street and Van Buren Street. Pedestrian and cyclist safety were improved through construction of crossing refuge islands at Crestview Drive and Van Buren Street, extension of sidewalks at Ferndale Avenue, and sight distance and signage improvements at Grace Street.
- W&OD Trail Lighting: The first two phases of the W&OD trail lighting project, which will ultimately light the two-mile section of the trail in Herndon, went live from Van Buren Street to Ferndale Avenue during the fiscal year. Phase three which provides lighting from Ferndale Avenue to Crestview Drive is in the architecture and engineering stage with installation planned for in fiscal year 2017.
- Gateway Signs: New Town of Herndon gateway monument signs were erected at all seven major road entrances into the town during the fiscal year. These signs, which were uniquely designed and custom made, celebrate the town's community spirit and its railroad heritage.
- Haley Smith Park Improvements: This Park enjoyed a makeover in fiscal year 2015. A large new playground apparatus was installed and staff completely rehabilitated the sand volleyball court, replacing the ground barrier and installing fresh sand. A permanent restroom and storage facility were also installed.
- Heavy Duty Trucks: The Public Works department purchased two heavy duty trucks during the fiscal year to replace older trucks that were at the end of their useful lives and retired. The Streets Division purchased a 2014 Tornado street sweeper, and the Refuse Division purchased a 2015 Ford eight cubic yard rear loading refuse packer.
- Information Systems Improvements: Included as an integral component of the town's information systems and telecommunications master plan is the systematic replacement of older information technology equipment on a lifecycle basis. During the fiscal year, a virtual desktop infrastructure (VDI) solution was designed, engineered and procured. Implementation of the VDI solution is expected to commence during the upcoming fiscal year.
- Waterline Main Replacement Projects: The water main replacement project on Spring Street between Elden and Locust streets was completed during the fiscal year. Also completed was the water main replacement on Center Street between Vine and Elden streets.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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- Sewer Main Relining Project: During the fiscal year, the relining of sewer mains at Herndon Centennial Golf Course, Spring Street, Center Street and Station Street were completed.
- Golf Course: Retrofits to the course’s storm water pond were completed in fiscal year 2015. These retrofits will increase the pond volume and improve the treatment of stormwater runoff in the fallout area. Construction of the retrofit project during the year was funded using grant money obtained from Fairfax County’s storm water utility tax.
- Other Critical Projects Progressing: During the fiscal year, significant design, right-of-way acquisition and utility relocation efforts have progressed on critical capital projects such as the town’s contract to purchase 1.67 acres of land from a private owner in the historical downtown district for anticipated redevelopment. Also advanced during the fiscal year were the automated water meter reading system, the Downtown Street improvements capital project, and the Spring Knoll water tank repairs and repainting.
- Planning for Other Key Projects: During the fiscal year, funding was secured and preliminary planning initiated on several key capital projects such as vehicle and pedestrian access to the future Herndon Metrorail station, Herndon Parkway and Van Buren Street intersection improvements, Van Buren Street south of Spring Street for both pedestrian and bicycle traffic, the Elden Street and Monroe Street intersection improvements. The town’s East Elden Street improvements project, which extends from Van Buren Street to the Fairfax County Parkway, was facilitated by the award of a \$10 million grant from the Commonwealth.

Additional information concerning the town’s capital assets can be found in Note 6 of the financial statements.

**LONG-TERM DEBT**

At June 30, 2015, the town’s noncurrent liabilities, exclusive of compensated absences, net pension liability, other postemployment benefits, and amounts to be repaid within one year, totaled \$13,816,000. Of this amount, \$11,450,000 is a liability attributed to governmental activities with the remaining \$2,336,000 attributed to business-type activities. The town’s available legal debt margin, as permitted by the Commonwealth of Virginia, is \$390 million. The margin’s computation is based on 10 percent of the assessed value of real estate subject to taxation less applicable bonded debt outstanding.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the town’s debt position. Data for the town at June 30, 2015 is as follows:

<b>Estimated Population</b>	<b>Assessed Valuation of Taxable Real Property</b>	<b>Governmental Net Bonded Debt</b>	<b>Ratio of Debt to Assessed Valuation</b>	<b>Net Bonded Debt per Capita</b>
23,612	\$4,033,147,925	\$12,552,355	.0031	\$532

In July 2012, Fitch Ratings, Inc. reaffirmed the town’s credit rating of “AAA” and noted in particular the town’s adherence to good debt management guidelines and low overall debt levels. The town also has ratings from Moody’s Investors Service, Inc. (designed as “Aaa”) and Standard & Poor’s (designed as “AAA”). These credit ratings are one of the highest among towns in Virginia.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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During the fiscal year, the town issued general obligation refunding bonds under the VML/VACo Finance Program in the amount of \$5.221 million. With municipal bond interest rates at historic lows, the town had the opportunity to save on substantial interest costs over the callable portions of three of its outstanding issues – the 2005 and 2006 general obligation bonds and the 2009 public improvement note. The 2014 refunding bond issue was sold in October 2014 and has a twelve-year life and a true interest cost of 2.10 percent. As a result of the bond refunding, cumulative future debt service savings will be approximately \$489,000.

More detailed information concerning the town's long-term obligations is presented in Note 7 of the financial statements.

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

The following economic factors are reflected in the town's adopted budget for fiscal year 2016:

- Based on the most recently completed annual reassessment, the assessed value of real property within the town was \$4,080,007,220 as of January 1, 2015. When compared to the total assessed values at January 1, 2014, this amount represents a combined nominal increase of three-quarters of one percent (i.e., 0.73 percent), with residential properties increasing almost four percent and commercial properties decreasing by three percent. The town's real estate tax rate remains at \$0.265 per \$100 of assessed value.
- The town's meals tax rate increase, which became effective for fiscal year 2012, changed the rate from its previous 1.5 percent to the current rate of 2.5 percent. As in prior fiscal years' budgets, \$750,000 of meals tax revenue will be used to finance the following four initiatives:
  - Continue implementing the recommendations of the town's Economic Development Task force, to include enhanced branding and marketing efforts which focuses on the downtown; continued refinements to the town's [www.DineONHerndon.com](http://www.DineONHerndon.com) restaurant website, and other activities, at \$75,000;
  - Continue major road repaving at \$325,000;
  - Continue funding the downtown utility relocation project at \$150,000; and
  - Continue to dedicate funds toward a future parking garage in the downtown at \$200,000.
- The July 2015 unemployment rate in Fairfax County (which includes the Town of Herndon) is estimated at 3.7 percent compared to the actual rate of 4.2 percent in July 2014. In comparison, Virginia's seasonally unadjusted unemployment rate for July 2015 is 4.8 percent and the U.S. unemployment rate is estimated at 5.3 percent.
- Given the marked decline in unemployment rates, the fiscal year 2016 projections for other local taxes took a more optimistic approach than that portrayed in the previous fiscal year's (2015) revenue projections. With the continued improvement of the town's key excise tax sources, such as transient lodging, meals and the town's share of the local sales taxes, revenue collections from these sources are projected to increase about three to four percent over amounts collected in fiscal year 2014. However, the threat of continued federal budget sequestration could negatively impact these excise tax sources and, in particular, the town's business license (BPOL) fee collections. Thus, the fiscal year 2016 projection for BPOL was conservatively estimated.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Service fees and charges (principally generated from town-sponsored programs, recreational classes, recycling fees and special refuse pickup services and reimbursements from other town funds for General Fund indirect costs) are an important revenue source to the town and provide about ten percent of budgeted General Fund revenues. The fiscal year 2016 projected revenue from charges for services is \$3,475,500 and is about two percent less than the actual, audited amount for fiscal year 2015.
- Total fiscal year 2016 General Fund resources, which include recurring revenues and other one-time financing sources, are projected at \$34,718,500. Overall, total fiscal year 2016 General Fund resources (including other financing sources) are projected to increase almost six percent over the total budgeted amount for fiscal year 2015. The revenue projections are based on an analysis of past collections, projected trends and healthy growth assumptions for consumer-sensitive excise tax sources, especially in comparison to fiscal years 2013 and 2014. The projections also assume that some revenue sources will remain flat or experience a decline through fiscal year 2016.

The total adopted fiscal year 2016 budget, including interfund transfers, is \$49,887,900 which is about two percent more than the original budget for fiscal year 2015. Most of the increase is related to interfund transfers to augment other funding sources related to major capital projects.

The fiscal year 2016 budget contains funding for 261 regular status positions. Since fiscal year 2009, the town's list of authorized regular and part-time positions has contracted from 285 positions to 261 positions, a drop of eight percent. In addition, the current budget strengthens the pay-for-performance program with a 2.5 percent average increase for regular status employees and a 2.5 percent merit pay increase for eligible sworn police officers. Also included is a one percent market rate adjustment effective July 1, 2015 for all regular status employees.

The fiscal year 2016 budget for all capital projects and information systems improvements (all funds) is \$5,757,000 million and represents a decline of \$558,000 from the fiscal year 2015 budget.

In addition to the three capital projects to be funded with revenues generated from the town's meal tax collections, below are the other major capital initiatives for the fiscal year:

- \$700,000 to replace the Bready Park soccer field natural turf with synthetic grass. This project should reduce traditional field maintenance efforts and increase field playability.
- \$350,000 to rebuild a portion of Van Buren St., thus creating a "complete street" with emphasis on traffic calming and pedestrian/ bicycle facilities
- \$325,000 for architectural design and preliminary engineering of the Herndon Community Center – Phase 5 addition. This fifth addition to the Center will construct a 12,000 square foot second story on to the existing building. The expansion will provide enhanced fitness and instructional areas as well as multi-purpose and storage space.
- \$625,000 in initial funding towards relocating overhead utilities below ground in the downtown area. This project will assist in spurring redevelopment of the downtown by reducing infrastructure costs for the private sector.



## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- \$275,000 for water and sewer capital projects, including normal water line and sewer main maintenance repairs and rehabilitation. The budget also includes engineering evaluations, capacity studies, surveys and design work as part of the town's sewer utility master plan improvements.
- \$425,000 which provides the final funding needed to implement an automated meter reading system in fiscal year 2016. Included in the program are installing meters, registers and transponders for both residential and commercial customers, and acquiring the software and hardware needed to read the meters electronically.

### CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the town's finances and to demonstrate the town's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Town of Herndon, Department of Finance, P.O. Box 427, Herndon, VA 20172-0427.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-1

## STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 20,594,455	\$ 18,508,675	\$ 39,103,130
Cash with fiscal agent	2,400,979	-	2,400,979
Receivables, net:			
Property taxes	5,444,735	-	5,444,735
Trade and other accounts	625,243	1,324,851	1,950,094
Accrued interest	121,696	98,820	220,516
Due from other governments	1,084,170	-	1,084,170
Inventories	113,323	45,004	158,327
Prepaid costs	59,056	1,254	60,310
Notes receivable	-	64,803	64,803
Internal balances	126,650	(126,650)	-
Capital assets:			
Land	24,635,817	3,504,033	28,139,850
Easements	3,498	-	3,498
Infrastructure	78,680,324	-	78,680,324
Buildings	40,936,252	3,485,035	44,421,287
Improvements other than buildings	13,751,931	31,299,440	45,051,371
Machinery and equipment	9,484,182	2,008,513	11,492,695
Furniture and fixtures	2,086,659	201,639	2,288,298
Intangibles	1,212,420	265,608	1,478,028
Construction in progress	922,164	117,169	1,039,333
Less: accumulated depreciation and amortization	(89,616,219)	(23,670,134)	(113,286,353)
<b>Total assets</b>	<b>112,667,335</b>	<b>37,128,060</b>	<b>149,795,395</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	118,203	118,203
Pension plan	1,421,349	143,429	1,564,778
<b>Total deferred outflows of resources</b>	<b>1,421,349</b>	<b>261,632</b>	<b>1,682,981</b>
<b>LIABILITIES</b>			
Accounts payable	1,423,123	990,314	2,413,437
Accrued payroll	826,101	99,605	925,706
Accrued liabilities - other	1,824,529	257,023	2,081,552
Accrued interest	130,841	-	130,841
Unearned revenue	617,967	-	617,967
Customer deposits and contingent charges	1,620,483	191,323	1,811,806
Noncurrent liabilities:			
Due within one year:			
Compensated absences	579,551	25,425	604,976
Notes payable	4,239	-	4,239
Bonds payable	1,098,300	243,200	1,341,500
Due in more than one year:			
Compensated absences	1,670,368	279,792	1,950,160
Notes payable	83,158	-	83,158
Bonds payable	11,366,658	2,366,288	13,732,946
Net pension liability	4,217,038	402,436	4,619,474
Other postemployment benefits (OPEB)	1,917,841	250,304	2,168,145
<b>Total liabilities</b>	<b>27,380,197</b>	<b>5,105,710</b>	<b>32,485,907</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plan	3,507,296	334,705	3,842,001
Unavailable revenue - property taxes	5,406,010	-	5,406,010
<b>Total deferred inflows of resources</b>	<b>8,913,306</b>	<b>334,705</b>	<b>9,248,011</b>
<b>NET POSITION</b>			
Net investment in capital assets	69,544,673	14,601,815	84,146,488
Restricted:			
Capital Projects Fund	2,397,263	-	2,397,263
General Fund	3,716	-	3,716
Unrestricted	5,849,529	17,347,462	23,196,991
<b>Total net position</b>	<b>\$ 77,795,181</b>	<b>\$ 31,949,277</b>	<b>\$ 109,744,458</b>

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Legislative	\$ 602,274	\$ -	\$ -	\$ -	\$ (602,274)	\$ -	\$ (602,274)
Administration	2,965,744	24,327	-	-	(2,941,417)	-	(2,941,417)
Town attorney	522,777	-	-	-	(522,777)	-	(522,777)
Parks and recreation	4,732,787	2,785,759	-	-	(1,947,028)	-	(1,947,028)
Finance	1,321,326	549,600	-	-	(771,726)	-	(771,726)
Community development	1,804,660	-	130,000	-	(1,674,660)	-	(1,674,660)
Police	9,174,389	543,901	671,045	-	(7,959,443)	-	(7,959,443)
Public works	11,501,379	634,681	936,748	1,955,113	(7,974,837)	-	(7,974,837)
Interest	511,089	-	-	-	(511,089)	-	(511,089)
<b>Total governmental activities</b>	<b>33,136,425</b>	<b>4,538,268</b>	<b>1,737,793</b>	<b>1,955,113</b>	<b>(24,905,251)</b>	<b>-</b>	<b>(24,905,251)</b>
Business-type activities:							
Water and sewer	6,869,506	5,926,841	376,299	-	-	(566,366)	(566,366)
Golf course	1,567,919	1,309,211	-	16,670	-	(242,038)	(242,038)
Chestnut Grove cemetery	697,207	725,182	-	-	-	27,975	27,975
Downtown parking	28,283	-	-	-	-	(28,283)	(28,283)
<b>Total business-type activities</b>	<b>9,162,915</b>	<b>7,961,234</b>	<b>376,299</b>	<b>16,670</b>	<b>-</b>	<b>(808,712)</b>	<b>(808,712)</b>
<b>Total government</b>	<b>\$ 42,299,340</b>	<b>\$ 12,499,502</b>	<b>\$ 2,114,092</b>	<b>\$ 1,971,783</b>	<b>(24,905,251)</b>	<b>(808,712)</b>	<b>(25,713,963)</b>
General Revenues:							
Taxes:							
General property					10,963,925	-	10,963,925
Business licenses					4,860,528	-	4,860,528
Transient occupancy					2,187,198	-	2,187,198
Local sales					1,848,993	-	1,848,993
Meals					2,121,519	-	2,121,519
Other local taxes					2,300,406	-	2,300,406
Revenues not restricted to specific programs					87,940	-	87,940
Intergovernmental, non-categorical aid					1,815,751	-	1,815,751
Use of money and property					801,986	276,557	1,078,543
Miscellaneous					77,560	618,690	696,250
Transfers					(386,638)	386,638	-
<b>Total general revenues and transfers</b>					<b>26,679,168</b>	<b>1,281,885</b>	<b>27,961,053</b>
<b>Change in net position</b>					<b>1,773,917</b>	<b>473,173</b>	<b>2,247,090</b>
Net position, July 1, as restated					76,021,264	31,476,104	107,497,368
Net position, June 30					<b>\$ 77,795,181</b>	<b>\$ 31,949,277</b>	<b>\$ 109,744,458</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-3  
Page 1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 15,071,456	\$ 3,980,221	\$ 1,542,778	\$ 20,594,455
Cash with fiscal agent	3,716	2,397,263	-	2,400,979
Receivables (net of allowance for doubtful accounts):				
Property taxes	5,444,735	-	-	5,444,735
Accounts and other services	625,243	-	-	625,243
Accrued interest	109,849	7,460	4,387	121,696
Due from other governments	704,767	379,403	-	1,084,170
Inventories	113,323	-	-	113,323
Prepaid costs	34,056	25,000	-	59,056
Advances to other funds	126,650	-	-	126,650
<b>Total assets</b>	<b>\$ 22,233,795</b>	<b>\$ 6,789,347</b>	<b>\$ 1,547,165</b>	<b>\$ 30,570,307</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-3  
Page 2

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 865,783	\$ 549,340	\$ 8,000	\$ 1,423,123
Accrued payroll	826,101	-	-	826,101
Accrued liabilities - other	1,470,443	354,086	-	1,824,529
Unearned revenue	477,590	140,377	-	617,967
Deposits	1,523,536	96,947	-	1,620,483
<b>Total liabilities</b>	<b>5,163,453</b>	<b>1,140,750</b>	<b>8,000</b>	<b>6,312,203</b>
Deferred inflows of resources:				
Unavailable revenue - property taxes	5,429,336	-	-	5,429,336
<b>Total deferred inflows of resources</b>	<b>5,429,336</b>	<b>-</b>	<b>-</b>	<b>5,429,336</b>
Fund Balances:				
Nonspendable:				
Inventories	113,323	-	-	113,323
Prepaid costs	34,056	-	-	34,056
Loan to Cemetery Fund	126,650	-	-	126,650
Committed:				
Cemetery perpetual care	-	-	1,538,465	1,538,465
Revenue stabilization	800,000	-	-	800,000
Assigned:				
Operating materials, services and supplies	549,852	-	-	549,852
Capital equipment and vehicles	46,961	-	-	46,961
Future debt service costs	285,900	-	-	285,900
Subsequent years' expenditures for:				
General Fund	1,226,140	-	-	1,226,140
Capital Projects Fund	-	5,648,597	-	5,648,597
Other governmental funds	-	-	700	700
Unassigned:				
General Fund	8,458,124	-	-	8,458,124
<b>Total fund balances</b>	<b>11,641,006</b>	<b>5,648,597</b>	<b>1,539,165</b>	<b>18,828,768</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 22,233,795</b>	<b>\$ 6,789,347</b>	<b>\$ 1,547,165</b>	<b>\$ 30,570,307</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-4

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2015

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Total Fund Balances - Governmental Funds	\$	18,828,768
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Governmental capital assets	\$	171,713,247	
Less accumulated depreciation and amortization		<u>(89,616,219)</u>	
Net capital assets			82,097,028

Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.		1,421,349
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Unavailable revenue represents amounts that were not available to fund current expenditures, and, therefore, is not reported as revenue in the governmental funds.		23,326
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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.

Bonds payable, including unamortized premiums and discounts	(12,464,958)	
Notes payable	(87,397)	
Net pension liability	(4,217,038)	
Other postemployment benefits	(1,917,841)	
Compensated absences	(2,249,919)	
Interest payable	<u>(130,841)</u>	
		(21,067,994)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.		<u>(3,507,296)</u>
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<b>Net position of governmental activities</b>		<u><u>\$ 77,795,181</u></u>
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See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 10,970,320	\$ -	\$ -	\$ 10,970,320
Other local taxes	13,318,644	-	-	13,318,644
Permits, privilege fees and regulatory licenses	522,048	-	-	522,048
Fines and forfeitures	547,939	-	-	547,939
Use of money and property	686,546	88,293	27,147	801,986
Charges for services	3,556,221	-	-	3,556,221
Miscellaneous	13,560	64,000	-	77,560
Intergovernmental	4,412,952	1,095,705	-	5,508,657
<b>Total revenues</b>	<b>34,028,230</b>	<b>1,247,998</b>	<b>27,147</b>	<b>35,303,375</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	626,639	-	-	626,639
Administration	2,457,281	-	-	2,457,281
Town attorney	545,434	-	-	545,434
Parks and recreation	4,055,755	-	-	4,055,755
Finance	1,307,771	-	-	1,307,771
Community development	1,857,171	-	-	1,857,171
Police	9,126,841	-	-	9,126,841
Public works	9,512,357	-	-	9,512,357
Grants	26,042	-	-	26,042
Capital outlay	-	4,278,824	526,961	4,805,785
<b>Debt service:</b>				
Principal	1,681,126	-	-	1,681,126
Interest and fiscal charges	573,790	-	-	573,790
<b>Total expenditures</b>	<b>31,770,207</b>	<b>4,278,824</b>	<b>526,961</b>	<b>36,575,992</b>
<b>Revenues over (under) expenditures</b>	<b>2,258,023</b>	<b>(3,030,826)</b>	<b>(499,814)</b>	<b>(1,272,617)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Issuance of refunding bonds	\$ 4,032,000	\$ -	\$ -	\$ 4,032,000
Payment to refunded bond escrow agent	(3,822,703)	-	-	(3,822,703)
Transfers in	-	535,000	508,888	1,043,888
Transfers out	(1,405,000)	-	(25,526)	(1,430,526)
<b>Total other financing sources (uses), net</b>	<b>(1,195,703)</b>	<b>535,000</b>	<b>483,362</b>	<b>(177,341)</b>
<b>Net change in fund balances</b>	<b>1,062,320</b>	<b>(2,495,826)</b>	<b>(16,452)</b>	<b>(1,449,958)</b>
Fund balances, July 1	10,578,686	8,144,423	1,555,617	20,278,726
Fund balances, June 30	\$ 11,641,006	\$ 5,648,597	\$ 1,539,165	\$ 18,828,768



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, 2015**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	(1,449,958)
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	\$ 4,496,172	
Less depreciation and amortization expense	<u>(3,261,687)</u>	
Excess of capital outlay over depreciation and amortization		1,234,485
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		(148,020)
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		(6,395)
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.		
Debt issued or incurred:		
Issuance of refunding bonds	(4,032,000)	
Payment to refunded bonds escrow agent to refund bonds- principal	3,822,703	
Principal repayments:		
General obligation debt	<u>1,681,126</u>	
		1,471,829
Deferred outflows of resources - pension contributions		1,421,349
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	41,172	
Compensated absences	81,082	
Pension expense	(592,716)	
Other postemployment benefits	(300,440)	
Amortization of premiums and discounts	<u>21,529</u>	
		<u>(749,373)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,773,917</u></b>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 11,003,900	\$ 11,003,900	\$ 10,970,320	\$ (33,580)
Other local taxes	11,801,400	11,801,400	13,318,644	1,517,244
Permits, privilege fees and regulatory licenses	301,500	301,500	522,048	220,548
Fines and forfeitures	597,000	597,000	547,939	(49,061)
Use of money and property	733,700	733,700	686,546	(47,154)
Charges for services	3,528,300	3,528,300	3,556,221	27,921
Miscellaneous	55,000	55,000	13,560	(41,440)
Intergovernmental	4,412,000	4,600,000	4,412,952	(187,048)
<b>Total revenues</b>	<b>32,432,800</b>	<b>32,620,800</b>	<b>34,028,230</b>	<b>1,407,430</b>
Expenditures:				
Current:				
Legislative	648,500	650,515	626,639	(23,876)
Administration	2,497,300	2,654,451	2,457,281	(197,170)
Town attorney	470,200	495,200	545,434	50,234
Parks and recreation	4,127,800	4,160,430	4,055,755	(104,675)
Finance	1,400,700	1,418,618	1,307,771	(110,847)
Community development	2,171,500	2,351,113	1,857,171	(493,942)
Police	9,258,900	9,330,468	9,126,841	(203,627)
Public works	9,672,500	10,484,382	9,512,357	(972,025)
Grants	-	21,862	26,042	4,180
Debt service:				
Principal	1,059,700	1,059,700	1,681,126	621,426
Interest and fiscal charges	465,300	465,300	573,790	108,490
<b>Total expenditures</b>	<b>31,772,400</b>	<b>33,092,039</b>	<b>31,770,207</b>	<b>(1,321,832)</b>
<b>Revenues over (under) expenditures</b>	<b>660,400</b>	<b>(471,239)</b>	<b>2,258,023</b>	<b>2,729,262</b>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Other financing sources (uses):				
Capital lease proceeds	\$ 237,000	\$ 237,000	\$ -	\$ (237,000)
Issuance of refunding bonds	-	-	4,032,000	4,032,000
Payment to refunded bond escrow agent	-	-	(3,822,703)	(3,822,703)
Transfers out	(1,070,900)	(1,070,900)	(1,405,000)	(334,100)
<b>Total other financing uses, net</b>	<b>(833,900)</b>	<b>(833,900)</b>	<b>(1,195,703)</b>	<b>(361,803)</b>
<b>Net change in fund balance</b>	<b>(173,500)</b>	<b>(1,305,139)</b>	<b>1,062,320</b>	<b>2,367,459</b>
Fund balance, July 1	173,500	1,305,139	10,578,686	9,273,547
Fund balance, June 30	\$ -	\$ -	\$ 11,641,006	\$ 11,641,006

TOWN OF HERNDON, VIRGINIA

Exhibit A-8  
Page 1

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and temporary cash investments	\$ 13,490,886	\$ 921,070	\$ 638,764	\$ 3,457,955	\$ 18,508,675
Receivables (net of allowance for doubtful accounts):					
Accounts and other services	1,312,137	-	-	12,714	1,324,851
Accrued interest	68,422	8,356	6,603	15,439	98,820
Inventories	16,707	28,297	-	-	45,004
Prepaid costs	-	-	254	1,000	1,254
Current notes receivable	-	-	-	30,185	30,185
<b>Total current assets</b>	<b>14,888,152</b>	<b>957,723</b>	<b>645,621</b>	<b>3,517,293</b>	<b>20,008,789</b>
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	34,618	34,618
Capital assets:					
Land	200,000	1,621,574	718,500	963,959	3,504,033
Buildings	-	2,222,015	1,263,020	-	3,485,035
Improvements other than buildings	26,234,759	3,157,597	1,444,889	462,195	31,299,440
Machinery and equipment	1,258,318	615,285	134,910	-	2,008,513
Furniture and fixtures	194,919	-	6,720	-	201,639
Intangibles	265,608	-	-	-	265,608
Construction in progress	117,169	-	-	-	117,169
Less accumulated depreciation and amortization	(18,038,281)	(3,984,652)	(1,203,871)	(443,330)	(23,670,134)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>10,232,492</b>	<b>3,631,819</b>	<b>2,364,168</b>	<b>982,824</b>	<b>17,211,303</b>
<b>Total noncurrent assets</b>	<b>10,232,492</b>	<b>3,631,819</b>	<b>2,364,168</b>	<b>1,017,442</b>	<b>17,245,921</b>
<b>Total assets</b>	<b>25,120,644</b>	<b>4,589,542</b>	<b>3,009,789</b>	<b>4,534,735</b>	<b>37,254,710</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	-	-	118,203	-	118,203
Pension plan	64,940	56,266	22,223	-	143,429
<b>Total deferred outflows of resources</b>	<b>64,940</b>	<b>56,266</b>	<b>140,426</b>	<b>-</b>	<b>261,632</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-8  
Page 2

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 946,509	\$ 10,119	\$ 9,294	\$ 24,392	\$ 990,314
Accrued payroll	43,879	39,937	15,789	-	99,605
Accrued liabilities - other	223,598	16,804	16,621	-	257,023
Compensated absences	12,804	8,520	4,101	-	25,425
Deposits	191,323	-	-	-	191,323
Advances from other funds	-	-	126,650	-	126,650
Current general obligation bonds payable	-	96,562	146,638	-	243,200
<b>Total current liabilities</b>	<b>1,418,113</b>	<b>171,942</b>	<b>319,093</b>	<b>24,392</b>	<b>1,933,540</b>
Noncurrent Liabilities:					
Compensated absences	96,742	134,882	48,168	-	279,792
Other postemployment benefits	137,223	78,110	34,971	-	250,304
Net pension liability	175,859	162,034	64,543	-	402,436
Long-term general obligation bonds payable, net	-	851,241	1,515,047	-	2,366,288
<b>Total noncurrent liabilities</b>	<b>409,824</b>	<b>1,226,267</b>	<b>1,662,729</b>	<b>-</b>	<b>3,298,820</b>
<b>Total liabilities</b>	<b>1,827,937</b>	<b>1,398,209</b>	<b>1,981,822</b>	<b>24,392</b>	<b>5,232,360</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension plan	146,261	134,763	53,681	-	334,705
<b>NET POSITION</b>					
Net Position:					
Net investment in capital assets	10,232,492	2,684,016	702,483	982,824	14,601,815
Unrestricted	12,978,894	428,820	412,229	3,527,519	17,347,462
<b>Total net position</b>	<b>\$ 23,211,386</b>	<b>\$ 3,112,836</b>	<b>\$ 1,114,712</b>	<b>\$ 4,510,343</b>	<b>\$ 31,949,277</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-9  
Page 1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Operating revenues:					
Sale of water	\$ 2,811,888	\$ -	\$ -	\$ -	\$ 2,811,888
Sewer service charges	3,040,808	-	-	-	3,040,808
Late payment charges	68,410	-	-	-	68,410
Sale of commodities	5,735	-	-	-	5,735
Rents and leases	471,960	42,750	-	-	514,710
Greens fees	-	912,494	-	-	912,494
Golf cart revenue	-	268,609	-	-	268,609
Golf pro shop sales	-	62,802	-	-	62,802
Driving range fees	-	65,306	-	-	65,306
Cemetery sites	-	-	388,880	-	388,880
Interment services	-	-	193,365	-	193,365
Merchandise sales	-	-	142,937	-	142,937
Miscellaneous	13,711	15,719	47,647	26,903	103,980
<b>Total operating revenues</b>	<b>6,412,512</b>	<b>1,367,680</b>	<b>772,829</b>	<b>26,903</b>	<b>8,579,924</b>
Operating expenses:					
Finance	260,376	-	-	-	260,376
Water main maintenance	1,732,536	-	-	-	1,732,536
Sewer service charge	3,583,739	-	-	-	3,583,739
Contractual services	499,700	-	-	-	499,700
Golf course operations	-	682,137	-	-	682,137
Golf course club house	-	556,281	-	-	556,281
Cemetery operations	-	-	518,511	-	518,511
Downtown parking	-	-	-	23,861	23,861
Nondepartmental:					
Depreciation and amortization	714,439	224,615	107,980	4,422	1,051,456
Miscellaneous	51,626	57,508	22,415	-	131,549
<b>Total operating expenses</b>	<b>6,842,416</b>	<b>1,520,541</b>	<b>648,906</b>	<b>28,283</b>	<b>9,040,146</b>
<b>Operating income (loss)</b>	<b>(429,904)</b>	<b>(152,861)</b>	<b>123,923</b>	<b>(1,380)</b>	<b>(460,222)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-9  
Page 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Nonoperating revenues (expenses):					
Investment earnings, net	\$ 214,682	\$ (1,587)	\$ 41,848	\$ 21,614	\$ 276,557
Availability fees	376,299	-	-	-	376,299
Interest expense	-	(37,178)	(48,301)	-	(85,479)
Loss on disposal of capital assets	(27,090)	(10,200)	-	-	(37,290)
<b>Total nonoperating revenues (expenses), net</b>	563,891	(48,965)	(6,453)	21,614	530,087
<b>Income (loss) before capital contributions and transfers</b>	133,987	(201,826)	117,470	20,234	69,865
Capital contributions	-	16,670	-	-	16,670
Transfers in	-	-	25,526	400,000	425,526
Transfers out	-	-	(38,888)	-	(38,888)
<b>Change in net position</b>	133,987	(185,156)	104,108	420,234	473,173
Total net position, July 1, as restated	23,077,399	3,297,992	1,010,604	4,090,109	31,476,104
Total net position, June 30	\$ 23,211,386	\$ 3,112,836	\$ 1,114,712	\$ 4,510,343	\$ 31,949,277

TOWN OF HERNDON, VIRGINIA

Exhibit A-10  
Page 1

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Cash Flows From Operating Activities:					
Receipts from customers	\$ 6,394,759	\$ 1,369,831	\$ 772,829	\$ 15,045	\$ 8,552,464
Payments to suppliers for goods and services	(5,550,173)	(431,688)	(245,914)	531	(6,227,244)
Payments to employees for services	(1,023,539)	(883,692)	(338,498)	-	(2,245,729)
<b>Net cash provided by (used in) operating activities</b>	<b>(178,953)</b>	<b>54,451</b>	<b>188,417</b>	<b>15,576</b>	<b>79,491</b>
Cash Flows From Noncapital Financing Activities:					
Transfers in from other funds	-	-	25,526	400,000	425,526
Transfers out to other funds	-	-	(38,888)	-	(38,888)
Repayment of advances from other funds	-	-	(12,665)	-	(12,665)
Interest paid on advances from other funds	-	-	(5,921)	-	(5,921)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>(31,948)</b>	<b>400,000</b>	<b>368,052</b>
Cash Flows From Capital and Related Financing Activities:					
Water and sewer tap fees/contributions from local sources	376,299	-	-	-	376,299
Capital contributions	-	(10,931)	-	-	(10,931)
Acquisition and construction of capital assets	(1,022,982)	(33,291)	-	(87,845)	(1,144,118)
Proceeds from refunding bonds issued	-	-	1,189,000	-	1,189,000
Proceeds from the sale of capital assets	1,000	-	-	-	1,000
Payment to refunded bond escrow agent	-	-	(1,070,797)	-	(1,070,797)
Principal paid on bonds	-	(93,085)	(116,406)	-	(209,491)
Deferred charge on refunding	-	-	(118,203)	-	(118,203)
Interest paid on bonds	-	(39,014)	(56,725)	-	(95,739)
<b>Net cash used in capital and related financing activities</b>	<b>(645,683)</b>	<b>(176,321)</b>	<b>(173,131)</b>	<b>(87,845)</b>	<b>(1,082,980)</b>
Cash Flows From Investing Activities:					
Principal received on note receivable	-	-	-	30,188	30,188
Interest received on investment securities	211,249	(5,135)	35,743	15,277	257,134
<b>Net cash provided by (used in) investing activities</b>	<b>211,249</b>	<b>(5,135)</b>	<b>35,743</b>	<b>45,465</b>	<b>287,322</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(613,387)</b>	<b>(127,005)</b>	<b>19,081</b>	<b>373,196</b>	<b>(348,115)</b>
Cash and Cash Equivalents:					
Beginning	14,104,273	1,048,075	619,683	3,084,759	18,856,790
Ending	\$ 13,490,886	\$ 921,070	\$ 638,764	\$ 3,457,955	\$ 18,508,675



TOWN OF HERNDON, VIRGINIA

Exhibit A-10  
Page 2

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Cash Flows From Operating Activities:					
Operating income (loss)	\$ (429,904)	\$ (152,861)	\$ 123,923	\$ (1,380)	\$ (460,222)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	714,439	224,615	107,980	4,422	1,051,456
Pension expense	24,717	22,774	9,072	-	56,563
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	536	2,151	-	(11,858)	(9,171)
Inventories	(6,699)	5,745	-	-	(954)
Prepaid costs and other assets	-	-	(124)	-	(124)
Increase (decrease) in:					
Decrease in deferred outflows	(64,940)	(56,266)	(22,223)	-	(143,429)
Accounts payable, accrued liabilities and compensated absences	(398,813)	8,293	(30,211)	24,392	(396,339)
Deposits	(18,289)	-	-	-	(18,289)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (178,953)</b>	<b>\$ 54,451</b>	<b>\$ 188,417</b>	<b>\$ 15,576</b>	<b>\$ 79,491</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF NET POSITION  
FIDUCIARY FUND

June 30, 2015

(With Comparative Amounts for 2014)

	<u>Pension Trust Fund</u>	
	<u>Police Supplemental</u>	
	<u>Retirement Pension</u>	
	<u>Trust Fund</u>	
	<u>2015</u>	<u>2014</u>
<hr/>		
<b>ASSETS</b>		
Mutual funds	<u>\$ 2,776,491</u>	<u>\$ 3,057,727</u>
<b>Total assets</b>	<u><b>2,776,491</b></u>	<u><b>3,057,727</b></u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u><u>\$ 2,776,491</u></u>	<u><u>\$ 3,057,727</u></u>

TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUND  
 Year Ended June 30, 2015  
 (With Comparative Amounts for 2014)

	Pension Trust Fund Police Supplemental Retirement Pension Trust Fund	
	2015	2014
Additions:		
Employer contributions	\$ 136,319	\$ 137,943
Rollovers from prior employers	-	6,507
<b>Total contributions</b>	<b>136,319</b>	<b>144,450</b>
Investment income:		
Net increase in the fair market value of investments	<b>137,648</b>	453,508
<b>Total additions, net</b>	<b>273,967</b>	<b>597,958</b>
Deductions:		
Benefit payments	<b>555,203</b>	116,042
<b>Change in net position</b>	<b>(281,236)</b>	481,916
Net position, July 1	<b>3,057,727</b>	2,575,811
Net position, June 30	<b>\$ 2,776,491</b>	<b>\$ 3,057,727</b>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Reporting Entity

The financial statements of the Town of Herndon, Virginia (the town) conform with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies used by the town.

The Town of Herndon, 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. Basis of Presentation, Basis of Accounting

**Basis of Presentation**

*Government-wide 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Basis of Presentation, Basis of Accounting (Continued)

**Basis of Presentation** (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.

The town reports the following major governmental funds:

General Fund

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.

Capital Projects 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 enterprise funds:

Water and Sewer Fund

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

Golf Course Fund

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

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Basis of Presentation, Basis of Accounting (Continued)

**Basis of Presentation** (Continued)

Chestnut Grove Cemetery Fund

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

Downtown Parking Fund

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

Additionally, the town reports the following fund types:

Police Supplemental Retirement Pension 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.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

*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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Basis of Presentation, Basis of Accounting (Continued)

**Basis of Accounting** (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 45 days after year-end. 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.

C. Budgetary Data

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

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

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. This resolution appropriates all budgeted amounts. The Appropriations Resolution places legal restrictions on expenditures for each department or category level. The town Manager is authorized to transfer budgeted amounts of up to \$30,000. Transfers exceeding \$30,000 must be authorized by the town Council. All increases or decreases to the approved budget must be approved by the town Council before being made. During the year, the town Council approves additional appropriations, as needed, in the form of Budget Amendments. During the year ended June 30, 2015, budget revisions to governmental funds were made, which resulted in a \$1,319,639 increase in budgeted expenditures.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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

C. Budgetary Data (Continued)

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

(1) 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 (a 2a7-like pool) is reported at the pool's share price.

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.

(2) 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.



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(2) 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 2015 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 did not assess personal property taxes during fiscal year 2015.

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

(3) Inventories

Inventories in the proprietary funds are recorded at the lower of cost (first-in, first-out) or market. 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.

(4) 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.

(5) Restricted Cash

In accordance with the agreements resulting in the issuance of debt, the General Fund and Capital Projects Fund has a portion of its cash balance restricted and shown as "Cash with fiscal agent" 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(6) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The town has two items that qualify for reporting in this category. One is the employer's fiscal year 2015 Virginia Retirement System (VRS) contribution and is reported in the government-wide and proprietary funds Statement of Net Position. The second is the deferred charge on refunding reported in the Chestnut Grove Cemetery Fund and the proprietary funds Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the life of the refunded or refunded debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The town has two types of items that qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, the net difference between projected and actual earnings on the VRS plan investments, is reported in the government-wide and proprietary funds Statement of Net Position.

(7) 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 estimated fair market value at the date of donation.

Interest incurred during construction on governmental activities' capital assets is not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized using the straight-line method over the useful life of the asset.

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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(7) Capital Assets (Continued)

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

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	5 years

(8) 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 proprietary funds 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.

All amounts accrued for compensated absences are recorded on the entity-wide statements.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(9) 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.

(10) Fund Equity

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

*Nonspendable fund balance* – 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 fund balance* – 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 fund balance* – 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(10) Fund Equity (Continued)

*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 fund balance* – 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.

(11) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the town’s Retirement Plan and the additions to/deductions from the town’s Retirement Plan 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(10) Fund Equity (Continued)

E. 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.

Investments

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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

Investment Policy

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

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

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

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

Credit Risk

As required by state statute, the Policy requires commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's "Aa" by Moody's Investors Service.

As of June 30, 2015, 31% of the portfolio was invested in "AA+" U. S. Agency Securities, 28% was invested in "AAA" U. S. Agency Securities, 8% was invested in "AA-" U. S. Agency Securities, 2% was invested in "A+" U. S. Agency Securities, 10% was invested in "AAAM" rated Money Market Funds, 3% was invested in "A-" U. S. Agency Securities, 2% was invested in "A" U. S. Agency Securities, 4% was invested in "AA" U. S. Agency Securities, and 12% was invested in an unrated Money Market Fund. All credit ratings presented in this paragraph are Standard & Poor's ratings.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

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, 2015, the portion of the town's portfolio, excluding the LGIP, U. S. Government guaranteed obligations and money market mutual funds, that exceed 5% of the total portfolio are as follows:

Federal National Mortgage Association	33%
Municipal Bonds	43%
Certificates of Deposit	13%
Fixed Income	11%

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.

	Fair Value	Investment Maturities (in years)		
		Less Than 1 Year	1 – 5 Years	5 – 10 Years
U. S. Agencies	\$ 25,768,898	\$ 1,689,019	\$ 21,091,278	\$ 2,988,601

Interest rate risk does not apply to the local government investment pool since it is a 2a7-like pool.



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Receivables**

Receivables at June 30, 2015 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Downtown Parking Fund	Totals
Property tax	\$ 5,447,982	\$ -	\$ -	\$ 5,447,982
Meals tax	178,503	-	-	178,503
Transient occupancy tax	229,589	-	-	229,589
Fines and forfeitures	82,283	-	-	82,283
Trade and other accounts	134,868	1,397,000	12,714	1,544,582
<b>Gross receivables</b>	<b>6,073,225</b>	<b>1,397,000</b>	<b>12,714</b>	<b>7,482,939</b>
Less allowance for uncollectable accounts	(3,247)	(84,863)	-	(88,110)
<b>Net receivables</b>	<b>\$ 6,069,978</b>	<b>\$ 1,312,137</b>	<b>\$ 12,714</b>	<b>\$ 7,394,829</b>

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 reported in the General Fund were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 23,326	\$ -
Advance billing of 2015-2016 taxes	5,406,010	-
Intergovernmental	-	477,590
Other	-	140,377
	<b>\$ 5,429,336</b>	<b>\$ 617,967</b>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Due From Other Governments**

Amounts due from other governments include the following:

General Fund:	
Federal government	<u>\$ 12,169</u>
Commonwealth of Virginia	<u>615,314</u>
Other local:	
County of Fairfax	47,472
Northern Virginia Cigarette Tax Board	<u>29,812</u>
	<u>77,284</u>
<b>Total General Fund</b>	<u>704,767</u>
Capital Projects Fund:	
Federal government	<u>379,403</u>
<b>Total Capital Projects Fund</b>	<u>379,403</u>
<b>Total due from other governments</b>	<u>\$ 1,084,170</u>

**Note 5. Notes Receivable**

Notes receivable as of June 30, 2015 consist of the following:

	<u>Downtown Parking Enterprise Fund</u>
4.715% note, due in annual installments of \$2,036, plus interest through March 2017	<u>\$ 4,072</u>
4.27% note, due in annual installments of \$16,291, plus interest through October 2017	48,874
4.515% note, due in annual installments of \$11,858, plus interest through October 2023	<u>106,717</u>
	159,663
Less current maturities	(30,185)
Less allowance for uncollectible accounts	<u>(94,860)</u>
<b>Long-term portion, net</b>	<u>\$ 34,618</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 24,608,647	\$ 27,170	\$ -	\$ -	\$ 24,635,817
Easements	3,498	-	-	-	3,498
Construction in progress	1,608,850	3,155,256	-	(3,841,942)	922,164
<b>Total capital assets, not being depreciated or amortized</b>	<b>26,220,995</b>	<b>3,182,426</b>	<b>-</b>	<b>(3,841,942)</b>	<b>25,561,479</b>
Capital assets, being depreciated and amortized:					
Infrastructure	78,589,970	90,354	-	-	78,680,324
Buildings	40,799,416	10,748	-	126,088	40,936,252
Improvements other than buildings	10,342,478	-	-	3,409,453	13,751,931
Machinery and equipment	10,496,011	1,020,204	(2,252,013)	219,980	9,484,182
Intangibles	1,280,778	61,315	(129,673)	-	1,212,420
Furniture and fixtures	1,875,436	131,125	(62,812)	142,910	2,086,659
<b>Total capital assets being depreciated and amortized</b>	<b>143,384,089</b>	<b>1,313,746</b>	<b>(2,444,498)</b>	<b>3,898,431</b>	<b>146,151,768</b>
Less accumulated depreciation and amortization for:					
Infrastructure	57,909,509	1,132,539	-	-	59,042,048
Buildings	14,502,794	1,070,326	-	-	15,573,120
Improvements other than buildings	6,683,141	444,186	-	-	7,127,327
Machinery and equipment	7,297,183	492,553	(2,103,993)	56,489	5,742,232
Intangibles	1,178,448	37,627	(129,673)	-	1,086,402
Furniture and fixtures	1,023,446	84,456	(62,812)	-	1,045,090
<b>Total accumulated depreciation and amortization</b>	<b>88,594,521</b>	<b>3,261,687</b>	<b>(2,296,478)</b>	<b>56,489</b>	<b>89,616,219</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>54,789,568</b>	<b>(1,947,941)</b>	<b>(148,020)</b>	<b>3,841,942</b>	<b>56,535,549</b>
Governmental activities capital assets, net	<b>\$ 81,010,563</b>	<b>\$ 1,234,485</b>	<b>\$ (148,020)</b>	<b>\$ -</b>	<b>\$ 82,097,028</b>

Depreciation and amortization was charged to programs/functions as follows:

Governmental activities:	
Legislative	\$ 440
Administration	236,957
Parks and Recreation	719,149
Finance	40,371
Community Development	38,780
Police	402,947
Public Works	1,823,043
<b>Total depreciation and amortization expense – governmental activities</b>	<b>\$ 3,261,687</b>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 3,418,338	\$ 87,845	\$ -	\$ (2,150)	\$ 3,504,033
Construction in progress	818,685	1,011,958	(28,090)	(1,685,384)	117,169
<b>Total capital assets, not being depreciated or amortized</b>	<b>4,237,023</b>	<b>1,099,803</b>	<b>(28,090)</b>	<b>(1,687,534)</b>	<b>3,621,202</b>
Capital assets, being depreciated and amortized:					
Buildings	3,579,748	-	(94,713)	-	3,485,035
Improvements other than buildings	29,617,057	-	(5,924)	1,688,307	31,299,440
Machinery and equipment	2,574,607	44,315	(553,145)	(57,264)	2,008,513
Furniture and fixtures	207,558	-	(5,919)	-	201,639
Intangibles	268,609	-	(3,001)	-	265,608
<b>Total capital assets being depreciated and amortized</b>	<b>36,247,579</b>	<b>44,315</b>	<b>(662,702)</b>	<b>1,631,043</b>	<b>37,260,235</b>
Less accumulated depreciation and amortization:					
Buildings	1,625,457	100,998	(84,514)	-	1,641,941
Improvements other than buildings	19,007,267	895,881	(5,925)	773	19,897,996
Machinery and equipment	2,249,834	48,142	(553,145)	(57,264)	1,687,567
Furniture and fixtures	205,569	336	(5,918)	-	199,987
Intangibles	239,545	6,099	(3,001)	-	242,643
<b>Total accumulated depreciation and amortization</b>	<b>23,327,672</b>	<b>1,051,456</b>	<b>(652,503)</b>	<b>(56,491)</b>	<b>23,670,134</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>12,919,907</b>	<b>(1,007,141)</b>	<b>(10,199)</b>	<b>1,687,534</b>	<b>13,590,101</b>
Business-type activities capital assets, net	<b>\$ 17,156,930</b>	<b>\$ 92,662</b>	<b>\$ (38,289)</b>	<b>\$ -</b>	<b>\$ 17,211,303</b>

Business-type activities:

Water and Sewer	\$ 714,439
Golf Course	224,615
Chestnut Grove Cemetery	107,980
Downtown Parking Enterprise	4,422
<b>Total depreciation and amortization expense - business-type activities</b>	<b>\$ 1,051,456</b>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Long-Term Obligations**

The following is a summary of long-term liability activity for the year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 12,467,424	\$ 4,032,000	\$ 4,139,712	\$ 12,359,712	\$ 1,098,300
Notes payable	1,451,514	-	1,364,117	87,397	4,239
Total	13,918,938	4,032,000	5,503,829	12,447,109	1,102,539
Compensated absences	2,331,001	2,262,501	2,343,583	2,249,919	579,551
Governmental activities long-term liabilities	16,249,939	6,294,501	7,847,412	14,697,028	<u>\$ 1,682,090</u>
Plus deferred amount for bond premiums	142,223	-	35,634	106,589	
Less deferred amount for bond discounts	(15,448)	-	(14,105)	(1,343)	
	<u>\$ 16,376,714</u>	<u>\$ 6,294,501</u>	<u>\$ 7,868,941</u>	<u>\$ 14,802,274</u>	

Annual requirements to amortize long-term bonded debt are as follows:

Year Ending June 30,	General Long-Term Debt			
	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 1,098,300	\$ 308,535	\$ 4,239	\$ 2,530
2017	1,086,265	278,621	4,363	2,405
2018	1,177,944	248,617	4,493	2,276
2019	1,208,287	217,849	4,625	2,144
2020	1,241,246	186,126	4,761	2,007
2021-2025	5,201,159	492,989	26,001	7,840
2026-2030	1,346,511	95,539	30,070	3,772
2031-2032	-	-	8,845	245
	<u>\$ 12,359,712</u>	<u>\$ 1,828,276</u>	<u>\$ 87,397</u>	<u>\$ 23,219</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Long-Term Obligations (Continued)**

**General Obligation Bonds**

\$4,800,000 tax-exempt public improvement bonds issued December 1, 2005, interest at 4.00% payable semi-annually, final annual maturity of \$230,000 in August 2016	\$ 230,000
\$500,000 tax-exempt public improvement bonds issued February 8, 2007, interest at 4.00%, payable semi-annually, annual maturity from \$22,124 to \$23,230 through February 2017	45,354
\$2,375,000 tax-exempt Build America and Recovery Zone bonds issued March 1, 2010, interest at 3.00% to 6.07% payable semi-annually, annual maturity \$99,600 to \$154,750 through February 2030	1,922,650
\$1,766,365 refunding bonds issued December 7, 2010, interest at 3.25% to 4.00%, payable semi-annually, annual maturity from \$169,899 to \$205,051 through February 2021	1,130,708
\$4,999,000 refunding bonds issued June 29, 2012, interest at 2.15% payable semi-annually, annual maturity beginning in fiscal year 2016 from \$492,500 to \$613,000 through August 2023	4,999,000
\$4,032,000 refunding bonds issued October 21, 2014, interest at 2.10%, payable semi-annually, annual maturity beginning in fiscal year 2016 from \$84,177 to \$413,935 through August 2026	<u>4,032,000</u>
<b>Total general obligation bonds</b>	<u><u>\$ 12,359,712</u></u>

Note Payable:

\$100,000 VRA loan note payable, interest at 2.93%, payable semi-annually, plus interest, semi-annual maturity from \$2,104 to \$3,302 through September 2031	<u>\$ 87,397</u>
	<u><u>\$ 87,397</u></u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Long-Term Obligations (Continued)**

In February 2007, public improvement bonds were issued. In March 2010, Build America and Recovery Zone bonds were issued. In December 2010, General Obligation Refunding Bonds were issued, which refunded the 2001 General Obligation Public Improvement bonds. The proceeds of each of these issuances have been used to finance governmental and business-type activities (golf course and cemetery). Additionally, in October 2014, a General Obligation Refunding Bond was issued, which refunded the 2006 General Obligation Public Improvement bond. The proceeds of this issuance have been used to finance governmental and business-type activities (cemetery). This debt is being accounted for in the respective fund that utilized the debt proceeds.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Serial bonds	\$ 2,646,576	\$ 1,189,000	\$ 1,280,288	\$ 2,555,288	\$ 243,200
Compensated absences	277,908	202,574	175,265	305,217	25,425
Plus deferred amount for bond premiums	100,844	-	46,644	54,200	-
Business-type activities long-term liabilities	<u>\$ 3,025,328</u>	<u>\$ 1,391,574</u>	<u>\$ 1,502,197</u>	<u>\$ 2,914,705</u>	<u>\$ 268,625</u>

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2016	\$ 243,200	\$ 76,328
2017	307,735	66,682
2018	258,056	55,574
2019	266,713	47,234
2020	273,754	38,574
2021-2025	863,341	98,560
2026-2030	342,489	20,448
	<u>\$ 2,555,288</u>	<u>\$ 403,400</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Long-Term Obligations (Continued)**

	Golf Course Fund	Chestnut Grove Cemetery Fund
Serial bonds:		
\$1,760,000 public improvement bonds, issued February 8, 2007, interest at 4.00% payable semi-annually, annual maturity from \$77,876 to \$81,770 through February 2017	\$ -	\$ 159,646
\$500,000 Build America and Recovery Zone bonds, issued March 1, 2010, interest at 3.00% to 6.07% payable semi-annually, annual maturity from \$20,400 to \$45,250 through February 2030	407,350	-
\$1,248,635 General Obligation Refunding Bond, issued December 7, 2010, to refund the outstanding Public Improvement Bonds issued in 2001; interest at 3.25% to 4.00%, payable semi-annually, annual maturity from \$43,939 to \$91,919 through February 2021	506,869	292,423
\$1,189,000 refunding bond issued October 21, 2014, interest at 2.10% payable semi-annually, annual maturity beginning in fiscal year 2016 from \$24,823 to \$50,557 through August 2026	-	1,189,000
	\$ 914,219	\$ 1,641,069

The town's available legal debt margin is \$390,762,438 and is computed based upon 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

**Note 8. Debt Refunding**

In October 2014, the town issued \$5,221,000 in General Obligation Refunding Bonds to refund the 2005 and 2006 General Obligation Bonds (advance refunding) and the VML/VACO Finance Program note payable (current refunding). The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on refunded bonds. As a result, these callable bonds and note were considered to be defeased in substance. The reacquisition price exceeded the carrying amount of the old debt by \$118,203 in the Chestnut Grove Cemetery Fund and is reported as a deferred outflow of resources. The advance refunding was undertaken to reduce the total debt service payments over the next 12 years by \$488,561 and resulted in an economic gain of \$424,000.



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Pension Plan**

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria 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 set out in the table below:

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>About Plan 1</b>            Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b>            Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b>            The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window (see “Eligible Members”).</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
		<p><b>About the Hybrid Retirement Plan (Continued)</b></p> <ul style="list-style-type: none"> <li>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b>            Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>            VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b>            Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>            Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b>            Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>Political subdivision employees.*</li> <li>Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><u>*Non-Eligible Members</u>            Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Retirement Contributions</b>  Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>  A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>  Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>  Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component</b></u>  Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contribution Component</b></u>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component</b></u>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contribution Component</b></u>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		<p><b>Vesting (Continued)</b>  <b><u>Defined Contribution Component (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70 1/2.</p>
<p><b>Calculating the Benefit</b>  The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <b><u>Defined Benefit Component</u></b>  See definition under Plan 1.</p> <p><b><u>Defined Contribution Component</u></b>  The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Service Retirement Multiplier</b>  The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b>  Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b>  <b>Defined Benefit Component</b>  The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b>  Age 65.</p>	<p><b>Normal Retirement Age</b>  Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b>  <b>Defined Benefit Component</b>  Same as Plan 2.</p>
<p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component</b>  Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>
<p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p>
		<p><b>Defined Contribution Component</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
		<p><b>Defined Contribution Component</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Earliest Reduced Retirement Eligibility</b>  Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component</b></u>  Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.  <b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b>  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><b>Eligibility:</b>  Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <u><b>Defined Benefit Component</b></u>  Same as Plan 2.</p> <p><u><b>Defined Contribution Component</b></u>  Not applicable.</p> <p><b>Eligibility:</b>  Same as Plan 1 and Plan 2.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

<b>Plan 1</b>		<b>Plan 2</b>		<b>Hybrid Retirement Plan</b>	
<b>Cost-of-Living (COLA) in Retirement (Continued)</b>	<b>Adjustment in Retirement</b>	<b>Cost-of-Living (COLA) in Retirement (Continued)</b>	<b>Adjustment in Retirement</b>	<b>Cost-of-Living (COLA) in Retirement (Continued)</b>	<b>Adjustment in Retirement</b>
<b><u>Exceptions to COLA Effective Dates:</u></b>		<b><u>Exceptions to COLA Effective Dates:</u></b>		<b><u>Exceptions to COLA Effective Dates:</u></b>	
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:		Same as Plan 1.		Same as Plan 1 and Plan 2.	
<ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>					



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b>  Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b></p> <p><b><u>Defined Benefit Component</u></b>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.</li> </ul>
		<p><b><u>Defined Contribution Component</u></b>  Not applicable.</p>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

A. Plan Description (Continued)

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	90
Inactive members:	
Vested	28
Non-vested	81
Active elsewhere in VRS	39
Total inactive members	148
Active members	244
Total covered employees	482

**Contributions**

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

The town's contractually required contribution rate for the year ended June 30, 2015 was 9.77% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the town were \$1,564,778 and \$1,603,624 for the years ended June 30, 2015 and 2014, respectively.

B. Net Pension Liability

The town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Net Pension Liability (Continued)

**Actuarial Assumptions – General Employees**

The total pension liability for General Employee's in the town's retirement plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Net Pension Liability (Continued)

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the town's retirement plan was based on an actuarial valuation as of June 30, 2013, 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 as of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50%-4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Net Pension Liability (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		* Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

B. Net Pension Liability (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the town's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 63,665,235	\$ 54,249,415	\$ 9,415,820
Changes for the Year:			
Service cost	1,821,327	-	1,821,327
Interest	4,385,197	-	4,385,197
Contributions – employer	-	1,603,624	(1,603,624)
Contributions – employee	-	832,188	(832,188)
Net investment income	-	8,612,262	(8,612,262)
Benefit payments, including refunds of employee contributions	(2,039,114)	(2,039,114)	-
Administrative expense	-	(45,658)	45,658
Other changes	-	454	(454)
Net changes	4,167,410	8,963,756	(4,796,346)
Balances at June 30, 2014	\$ 67,832,645	\$ 63,213,171	\$ 4,619,474

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

C. Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the town, using the discount rate of 7.00%, as well as what the town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)		Current Discount Rate (7.00%)		1% Increase (8.00%)
Plan's net pension liability (asset)	\$ 13,949,461	\$	4,619,474	\$	(3,123,979)

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://www.varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

For the year ended June 30, 2015, the town recognized pension expense of \$649,279. The town also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,842,001
Employer contributions subsequent to the measurement date	1,564,778	-
Total	\$ 1,564,778	\$ 3,842,001

\$1,564,778 reported as deferred outflows of resources related to pensions resulting from the town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,			
2016	\$	960,500	
2017		960,500	
2018		960,500	
2019		960,501	
		3,842,001	
	\$	3,842,001	

**Note 10. Defined Contribution Pension Plan**

Police Retirement Plan:

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 three 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*.

The town's payroll for employees covered by the Plan for the year ended June 30, 2015 was \$5,434,807, which was 31% of the total town payroll of \$17,809,268. There were 80 participants in the Plan at June 30, 2015. 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 \$136,320 for the fiscal year ended June 30, 2015. Data concerning the value of vested and nonvested benefits as of June 30, 2015 is as follows:

Vested benefits	\$	2,671,830
Nonvested benefits		104,661
		2,776,491
	\$	2,776,491



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Defined Contribution Pension Plan (Continued)**

Police Retirement Plan: (Continued)

Plan Description (Continued)

**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.

*Reporting:* The Plan is accounted for as a pension 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Defined Contribution Pension Plan (Continued)**

Police Retirement Plan: (Continued)

Plan Description (Continued)

**Concentrations**

At June 30, 2015, Plan assets were comprised of mutual funds investing in stocks, bonds, guaranteed investment contracts, and U. S. government securities. The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net assets as of June 30, 2015 and 2014 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	2015	2014
Mutual Funds:		
DFA U. S. Large Cap Value I	\$ -	\$ 215,901
Federated Capital Preservation	-	294,745
Janus Twenty Fund, Inc.	-	476,939
Vanguard 500 Index Signal	-	1,156,179
Vanguard Interim – Term Bond Index Signal	-	519,597
Vanguard Target Retirement 2040 Inv.	400,840	-
Vanguard Growth Index Adm	145,205	-
Vanguard S-P 500 ETF	241,663	-
Vanguard Target Retirement 2030 Inv.	229,915	-
Vanguard Target Retirement 2035 Inv.	554,689	-
Vanguard Target Retirement 2025 Inv.	524,081	-
Vanguard Target Retirement 2020 Inv.	171,501	-
Other Investments Individually Less Than 5% of Plan Assets	508,597	394,366
	\$ 2,776,491	\$ 3,057,727

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Other Postemployment Benefits**

A. 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.

B. Funding Policy

The town Council establishes employer contribution rates for their respective plan participants. The Council has chosen to fund the healthcare benefits on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

In July 2014, the town had an actuarial valuation performed of postemployment benefits. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The pay-as-you-go cost for OPEB benefits for the town's plan is \$241,900 and the annual benefit cost is \$578,600. The percentage of annual OPEB cost contributed is 41.81%.

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the town has elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded. At June 30, 2015, the town has recorded a liability of \$2,168,145 on the Statement of Net Position (\$1,917,841 governmental activities and \$250,304 business-type activities.)

The town is required to contribute the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years on an open basis. The following table shows the components of the annual OPEB cost for the year, the amounts contributed for the year, and the change in the net OPEB obligation:

Annual required contribution (ARC)	\$ 581,500
Interest on net OPEB obligation	73,300
Adjustment to annual required contribution	<u>(76,200)</u>
Annual OPEB cost	578,600
Contributions made	<u>(241,900)</u>
Increase in net OPEB obligation	336,700
Net OPEB obligation, beginning of year	1,831,445
Net OPEB obligation, end of year	<u><u>\$ 2,168,145</u></u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 11. Other Postemployment Benefits (Continued)**

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

**Trend Information**

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net Pension Obligation
June 30, 2015	\$ 578,600	41.81%	\$ 2,168,145
June 30, 2014	564,100	36.00%	1,831,445
June 30, 2013	541,300	29.67%	1,470,245

D. Funding Status and Funding Progress

As of July 1, 2014, the most recent roll forward actuarial valuation date, the plan was not funded. The actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,266,500 for the town's plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The following table shows the funding status:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 6,266,500	\$ 6,266,500	0.00%	\$ 14,605,600	42.90%
July 1, 2012	-	5,557,300	5,557,300	0.00%	15,064,805	36.89%
July 1, 2010	-	2,033,900	2,033,900	0.00%	15,625,249	13.02%

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Other Postemployment Benefits (Continued)**

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include a four percent rate of return, an inflation rate of two and one-half percent, assumed salary scale increase of two and one-half percent, and an annual healthcare cost trend rate of ten percent initially, reduced by one percent decrements to an ultimate rate of five percent. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

**Note 12. Interfund Receivables and Payables**

Interfund balances as of June 30, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: Chestnut Grove Cemetery	\$ 126,650
	Total	<u>\$ 126,650</u>

Interfund receivables are recorded to disclose interfund loan balances in the payable funds due at year end.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 13. Interfund Transfers**

A summary of interfund transfer activity is presented as follows:

	General Fund	Nonmajor Governmental Fund	Chestnut Grove Cemetery Fund	<b>Total Transferred In</b>
Transferred to Fund:				
Primary government:				
Governmental activities:				
Capital Projects Fund	\$ 535,000	\$ -	\$ -	\$ 535,000
Nonmajor Governmental Fund	470,000	-	38,888	508,888
Business-type activities:				
Chestnut Grove Cemetery Fund	-	25,526	-	25,526
Downtown Parking Fund	400,000	-	-	400,000
<b>Total Transferred Out</b>	<b>\$ 1,405,000</b>	<b>\$ 25,526</b>	<b>\$ 38,888</b>	<b>\$ 1,469,414</b>

The transfers from the General Fund to the Capital Projects Fund, Nonmajor Government Funds, and Downtown Parking Fund are for capital project expenditures.

The transfer from the Nonmajor Governmental Fund to the Chestnut Grove Cemetery Fund is for interest income.

The transfer from the Chestnut Grove Cemetery Fund to the Nonmajor Governmental Fund is for cemetery site sales.

**Note 14. Surety Bonds**

The town maintains surety bonding with Virginia Municipal Liability Pool as follows:

Official's Name	Title of Official	Amount of Surety Bond
Lisa C. Merkel	Mayor	\$ 250,000
Arthur A. Anselene	Town Manager	250,000
Mary K. Tuohy	Director of Finance	250,000
Myra L. King	Revenue Supervisor	250,000
Cindy S. Roeder	Director of Parks and Recreation	250,000
Elizabeth M. Gilleran	Director of Community Development	250,000
Robert B. Boxer	Director of Public Works	250,000
Maggie A. DeBoard	Chief of Police	250,000
William H. Ashton, III	Director of Information Technology	250,000
Tanya J. Kendrick	Director of Human Resources	250,000
Gene A. Fleming	Director of Golf	250,000

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 15. Contingency**

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.

**Note 16. Commitments and Subsequent Event**

The town was contacted by the Environmental Protection Agency (EPA) in November 2007 concerning its investigation of a release, or threat of release, of hazardous substances, pollutants or containments into the environment at the Hidden Lane Landfill in Loudoun County, Virginia. The town has furnished all information and documents in relation to any town use of this landfill between 1971 and 1983 to the EPA. The EPA's investigation was still on-going at June 30, 2015 and no indication of potential town liability has been determined.

In May 2015, town Council entered into a contract to purchase 1.67 acres of land from a private owner. The sale was completed on September 28, 2015 with a purchase price of \$3,459,000. The property is currently being leased to a car dealership.

**Note 17. Risk Management**

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

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

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

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 18. Restatement**

**Change in Accounting**

In accordance with the adoption of GASB Statement No. 68, the town recorded a net pension liability as if it had been recognized in the period for which it was incurred. The beginning net positions for the Governmental Activities, Business-Type Activities, Golf Course Fund, Chestnut Grove Cemetery Fund, and Water and Sewer Fund have been restated to reflect this change in the entity-wide statements for fiscal year ended June 30, 2014.

	Golf Course Fund	Chestnut Grove Cemetery Fund
Net position, June 30, 2014, as previously reported	\$ 3,572,015	\$ 1,119,756
Change in accounting for the implementation of GASB Statement No. 68 – to record the VRS net pension liability and related components	(274,023)	(109,152)
Net position, June 30, 2014, as restated	\$ 3,297,992	\$ 1,010,604
	Water and Sewer Fund	Total Proprietary Funds
Net position, June 30, 2014, as previously reported	\$ 23,374,802	\$ 32,156,682
Change in accounting for the implementation of GASB Statement No. 68 – to record the VRS net pension liability and related components	(297,403)	(680,578)
Net position, June 30, 2014, as restated	\$ 23,077,399	\$ 31,476,104
	Governmental Activities	Business-Type Activities
Net position, June 30, 2014, as previously reported	\$ 83,152,882	\$ 32,156,682
Change in accounting for the implementation of GASB Statement No. 68– to record the VRS net pension liability and related components	(7,131,618)	(680,578)
Net position, June 30, 2014, as restated	\$ 76,021,264	\$ 31,476,104



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 19. Pending GASB Statements**

At June 30, 2015, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the town. The statements which might impact the town are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, will improve measurement and application by state and local governments for fair value. Statement No. 72 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will improve accounting and financial reporting by state and local governments for pensions. It will also improve the comparability of pension-related information. Statement No. 73 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will improve financial reporting by state and local governments for OPEB. It also provides information for changes of OPEB liabilities from year to year. Statement No. 74 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will improve financial reporting for state and local governments by providing greater reporting guidance to provide less variation in financial reporting. Statement No. 76 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

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



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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HERNDON, VIRGINIA**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 6,266,500	\$ 6,266,500	0.00%	\$ 14,605,600	42.90%
July 1, 2012	-	5,557,300	5,557,300	0.00%	15,064,805	36.89%
July 1, 2010	-	2,033,900	2,033,900	0.00%	15,625,249	13.02%

8

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS**

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 581,500	41.60%
2014	566,500	29.57%
2013	543,100	29.57%

**TOWN OF HERNDON, VIRGINIA**

**SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY  
AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM**

	As of June 30, 2014
Total Pension Liability	
Service cost	\$ 1,821,327
Interest	4,385,197
Benefit payments, including refunds of employee contributions	<u>(2,039,114)</u>
<b>Net change in total pension liability</b>	<b>4,167,410</b>
Total pension liability - beginning	<u>63,665,235</u>
Total pension liability - ending (a)	<u><u>\$ 67,832,645</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,603,624
Contributions - employee	832,188
Net investment income	8,612,262
Benefit payments, including refunds of employee contributions	(2,039,114)
Administrative expense	(45,658)
Other	<u>454</u>
<b>Net change in plan fiduciary net position</b>	<b>8,963,756</b>
Plan fiduciary net position - beginning	<u>54,249,415</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 63,213,171</u></u>
The Town's net pension liability - ending (a) - (b)	<u><u>\$ 4,619,474</u></u>
Plan fiduciary net position as a percentage of the total pension liability	93.19%
Covered-employee payroll	\$ 16,413,756
The Town's net pension liability as a percentage of covered-employee payroll	28.14%

**Notes to Schedule:**

- (1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

<p>LEOS:</p> <p>a. Update mortality table</p> <p>b. Adjustments to rates of service retirement for females</p> <p>c. Increase in rates of withdrawal</p> <p>d. Decrease in male and female rates of disability</p>	<p>NON-LEOS:</p> <p>a. Update mortality table</p> <p>b. Decrease in rates of service retirement</p> <p>c. Decrease in rates of disability retirement</p> <p>d. Reduce rates of salary increases by 0.25% per year</p>
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- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the town will present information for those years for which information is available.

**TOWN OF HERNDON, VIRGINIA**

**SCHEDULE OF TOWN CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 1,603,624
Contributions in relation to the CRC	<u>1,603,624</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Employer's covered-employee payroll	\$ 16,413,756
Contributions as a percentage of covered-employee payroll	9.77%

**Notes to Schedule:**

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
 

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the town will present information for those years for which information is available.



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**SUPPLEMENTARY INFORMATION**

## **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, 2015**

**Exhibit B-1**

	Special Revenue	Capital Projects	
	Chestnut Grove Cemetery Perpetual Care Fund	Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 1,534,078	\$ 8,700	\$ 1,542,778
Accrued interest	4,387	-	4,387
<b>Total assets</b>	<b>\$ 1,538,465</b>	<b>\$ 8,700</b>	<b>\$ 1,547,165</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 8,000	\$ 8,000
Fund balances:			
Committed to:			
Cemetery perpetual care	1,538,465	-	1,538,465
Assigned:			
Subsequent years' expenditures for Information Systems Improvement Fund	-	700	700
<b>Total fund balances</b>	<b>1,538,465</b>	<b>700</b>	<b>1,539,165</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,538,465</b>	<b>\$ 8,700</b>	<b>\$ 1,547,165</b>



TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Revenue from local sources:			
Use of money and property	\$ 27,147	\$ -	\$ 27,147
<b>Total revenues</b>	<u>27,147</u>	<u>-</u>	<u>27,147</u>
Expenditures:			
Capital outlay	<u>-</u>	<u>526,961</u>	<u>526,961</u>
<b>Revenues over (under) expenditures</b>	<u>27,147</u>	<u>(526,961)</u>	<u>(499,814)</u>
Other financing sources (uses):			
Transfers in	38,888	470,000	508,888
Transfers out	<u>(25,526)</u>	<u>-</u>	<u>(25,526)</u>
<b>Total other financing sources, net</b>	<u>13,362</u>	<u>470,000</u>	<u>483,362</u>
<b>Net change in fund balances</b>	40,509	(56,961)	(16,452)
Fund balances, July 1	<u>1,497,956</u>	<u>57,661</u>	<u>1,555,617</u>
Fund balances, June 30	<u>\$ 1,538,465</u>	<u>\$ 700</u>	<u>\$ 1,539,165</u>



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**SUPPLEMENTAL SCHEDULES**

TOWN OF HERNDON, VIRGINIA

Exhibit B-3

GENERAL FUND  
BALANCE SHEET  
June 30, 2015

(With Comparative Amounts for 2014)

	2015	2014
<b>ASSETS</b>		
Cash, cash equivalents and temporary cash investments	\$ 15,071,456	\$ 13,926,750
Cash with fiscal agent	3,716	1,831
Receivables (net of allowance for doubtful accounts):		
Property taxes	5,444,735	5,404,305
Accounts and other services	625,243	620,675
Accrued interest	109,849	88,560
Due from other governments	704,767	752,180
Inventories	113,323	140,943
Prepaid costs	34,056	39,145
Advances to other funds	126,650	139,315
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 22,233,795</b>	<b>\$ 21,113,704</b>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 865,783	\$ 596,377
Accrued payroll	826,101	896,846
Accrued liabilities - other	1,470,443	1,607,457
Unearned revenue	477,590	477,764
Deposits	1,523,536	1,559,918
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>5,163,453</b>	<b>5,138,362</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues - property taxes	<hr/>	<hr/>
	<b>5,429,336</b>	<b>5,396,656</b>
<b>FUND BALANCE</b>		
Fund Balances:		
Nonspendable:		
Inventories	113,323	140,943
Prepaid costs	34,056	39,145
Loan to Cemetery Fund	126,650	139,315
Committed:		
Revenue stabilization	800,000	600,000
Assigned to:		
Operating materials, services and supplies	549,852	280,342
Capital equipment and vehicles	46,961	370,195
Future debt service costs	285,900	-
Subsequent years' expenditures	1,226,140	844,237
Unassigned	8,458,124	8,164,509
	<hr/>	<hr/>
<b>Total fund balances</b>	<b>11,641,006</b>	<b>10,578,686</b>
	<hr/>	<hr/>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 22,233,795</b>	<b>\$ 21,113,704</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 1

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 10,648,900	\$ 10,648,900	\$ 10,709,710	\$ 60,810
Elderly tax relief exemption	-	-	(88,562)	(88,562)
Public service corporation taxes	309,000	309,000	297,742	(11,258)
Penalties and interest	46,000	46,000	51,430	5,430
<b>Total general property taxes</b>	<b>11,003,900</b>	<b>11,003,900</b>	<b>10,970,320</b>	<b>(33,580)</b>
Other local taxes:				
Consumer utility tax	795,000	795,000	796,697	1,697
Right of way use fees	197,400	197,400	145,292	(52,108)
Cigarette tax	340,000	340,000	323,517	(16,483)
Transient occupancy tax	1,932,500	1,932,500	2,187,198	254,698
Bank stock tax	220,000	220,000	374,316	154,316
Cable T.V. franchise fees	175,600	175,600	200,799	25,199
Business licenses tax	4,000,000	4,000,000	4,860,528	860,528
Utility consumption tax	96,000	96,000	94,622	(1,378)
Motor vehicle licenses	373,700	373,700	365,163	(8,537)
Local sales tax	1,721,000	1,721,000	1,848,993	127,993
Meals tax	1,950,200	1,950,200	2,121,519	171,319
<b>Total other local taxes</b>	<b>11,801,400</b>	<b>11,801,400</b>	<b>13,318,644</b>	<b>1,517,244</b>
Permits, privilege fees and regulatory licenses:				
Planning fees	60,500	60,500	86,315	25,815
Building inspection fees and permits	227,000	227,000	399,698	172,698
State stormwater management fees	-	-	19,489	19,489
Right of way permit fees	14,000	14,000	16,546	2,546
<b>Total permits, privilege fees and regulatory licenses</b>	<b>301,500</b>	<b>301,500</b>	<b>522,048</b>	<b>220,548</b>
Fines and forfeitures:				
Court fines and costs	67,400	67,400	58,815	(8,585)
Court fees - Fairfax County	510,600	510,600	472,992	(37,608)
Court maintenance fees	16,500	16,500	12,094	(4,406)
Zoning fines	2,500	2,500	4,038	1,538
<b>Total fines and forfeitures</b>	<b>597,000</b>	<b>597,000</b>	<b>547,939</b>	<b>(49,061)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 2

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	\$ 180,000	\$ 180,000	\$ 138,056	\$ (41,944)
Rental income	553,700	553,700	548,490	(5,210)
<b>Total use of money and property</b>	<b>733,700</b>	<b>733,700</b>	<b>686,546</b>	<b>(47,154)</b>
Charges for services:				
Franchise lease	87,800	87,800	87,940	140
Commercial refuse collection	10,300	10,300	9,565	(735)
Recycling collection	98,500	98,500	99,030	530
Recreation program fees	1,676,900	1,676,900	1,585,843	(91,057)
Admission fees	443,300	443,300	384,683	(58,617)
Park operation	6,200	6,200	12,475	6,275
Herndon festival	315,000	315,000	426,453	111,453
Concession	23,000	23,000	18,943	(4,057)
Rental income - parks & recreation	80,400	80,400	116,082	35,682
Tennis/multi-use facility	210,000	210,000	241,280	31,280
Sale of recyclable materials	27,300	27,300	24,327	(2,973)
Quasi - external revenue - charges for administration, personnel and other services:				
Chestnut Grove Cemetery fund	16,200	16,200	16,200	-
Golf course fund	33,700	33,700	33,700	-
Water and sewer fund	499,700	499,700	499,700	-
<b>Total charges for services</b>	<b>3,528,300</b>	<b>3,528,300</b>	<b>3,556,221</b>	<b>27,921</b>
Miscellaneous	55,000	55,000	13,560	(41,440)
<b>Total revenue from local sources</b>	<b>28,020,800</b>	<b>28,020,800</b>	<b>29,615,278</b>	<b>1,594,478</b>
Intergovernmental:				
County of Fairfax:				
Pro-rata share of stormwater district tax collections	187,000	187,000	87,265	(99,735)
Contribution toward tourism and economic development	40,000	40,000	40,000	-
Bilingual Housing Specialist grant	90,800	90,800	90,000	(800)
<b>Total from County of Fairfax</b>	<b>317,800</b>	<b>317,800</b>	<b>217,265</b>	<b>(100,535)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 3

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Intergovernmental: (Continued)				
Other Local Governments:				
NOVA regional Gang Task Force grant	\$ 15,000	\$ 15,000	\$ 25,056	\$ 10,056
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	570,000	570,000	548,704	(21,296)
Communications sales and use tax	1,699,800	1,699,800	1,718,152	18,352
Vehicle rental taxes	11,400	11,400	10,334	(1,066)
<b>Total non-categorical aid</b>	<b>2,281,200</b>	<b>2,281,200</b>	<b>2,277,190</b>	<b>(4,010)</b>
Categorical aid:				
Fire fund program	64,500	64,500	73,793	9,293
Litter control grant	6,000	6,000	5,947	(53)
Department of Forestry grant	-	-	2,000	2,000
Dept. of Criminal Justice Service - NOVA regional ICAC grant	20,000	20,000	33,924	13,924
VDOT highway revenue sharing grant	-	188,000	-	(188,000)
Street and highway maintenance allocation	1,672,500	1,672,500	1,710,016	37,516
<b>Total categorical aid</b>	<b>1,763,000</b>	<b>1,951,000</b>	<b>1,825,680</b>	<b>(125,320)</b>
<b>Total from the Commonwealth</b>	<b>4,044,200</b>	<b>4,232,200</b>	<b>4,102,870</b>	<b>(129,330)</b>
Federal government:				
Categorical aid:				
Dept. of Transportation/State & Community Highway Safety grant	20,000	20,000	15,481	(4,519)
Ballistic Vest grant	-	-	4,102	4,102
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement grant	15,000	15,000	30,128	15,128
CMAQ grant - alternative fuel vehicles	-	-	4,400	4,400
US Dept. of Justice/ Criminal Division Office Equitable Sharing Program	-	-	13,650	13,650
<b>Total from the Federal government</b>	<b>35,000</b>	<b>35,000</b>	<b>67,761</b>	<b>32,761</b>
<b>Total intergovernmental revenue</b>	<b>4,412,000</b>	<b>4,600,000</b>	<b>4,412,952</b>	<b>(187,048)</b>
<b>Total General Fund revenues</b>	<b>\$ 32,432,800</b>	<b>\$ 32,620,800</b>	<b>\$ 34,028,230</b>	<b>\$ 1,407,430</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 1

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Legislative:				
Personnel services	\$ 420,200	\$ 388,950	\$ 383,736	\$ (5,214)
Operations and maintenance	228,300	261,565	242,903	(18,662)
<b>Total legislative</b>	<b>648,500</b>	<b>650,515</b>	<b>626,639</b>	<b>(23,876)</b>
Administration:				
Public information:				
Personnel services	305,400	305,700	310,897	5,197
Operations and maintenance	107,400	212,870	106,038	(106,832)
	412,800	518,570	416,935	(101,635)
Town manager:				
Personnel services	356,700	346,800	320,158	(26,642)
Operations and maintenance	29,300	29,300	17,421	(11,879)
	386,000	376,100	337,579	(38,521)
Human resources:				
Personnel services	467,600	467,600	473,132	5,532
Operations and maintenance	101,000	156,932	132,929	(24,003)
	568,600	624,532	606,061	(18,471)
Information services:				
Personnel services	706,400	675,663	694,324	18,661
Operations and maintenance	410,500	421,756	367,261	(54,495)
Capital outlay	13,000	37,830	35,121	(2,709)
	1,129,900	1,135,249	1,096,706	(38,543)
<b>Total administration</b>	<b>2,497,300</b>	<b>2,654,451</b>	<b>2,457,281</b>	<b>(197,170)</b>
Town attorney:				
Personnel services	326,800	326,800	347,261	20,461
Operations and maintenance	143,400	168,400	198,173	29,773
<b>Total town attorney</b>	<b>470,200</b>	<b>495,200</b>	<b>545,434</b>	<b>50,234</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 2

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Parks and recreation:				
Administration:				
Personnel services	\$ 444,000	\$ 444,000	\$ 464,160	\$ 20,160
Operations and maintenance	102,300	104,972	89,767	(15,205)
Capital outlay	30,000	30,000	27,635	(2,365)
	<u>576,300</u>	<u>578,972</u>	<u>581,562</u>	<u>2,590</u>
Recreation programs:				
Personnel services	839,700	839,700	845,925	6,225
Operations and maintenance	652,000	669,010	655,171	(13,839)
	<u>1,491,700</u>	<u>1,508,710</u>	<u>1,501,096</u>	<u>(7,614)</u>
Community center operations:				
Personnel services	898,700	898,700	876,099	(22,601)
Operations and maintenance	218,900	223,869	206,262	(17,607)
	<u>1,117,600</u>	<u>1,122,569</u>	<u>1,082,361</u>	<u>(40,208)</u>
Aquatics programs and operations:				
Personnel services	629,000	629,000	598,685	(30,315)
Operations and maintenance	146,800	151,992	135,353	(16,639)
Capital outlay	5,000	5,300	5,296	(4)
	<u>780,800</u>	<u>786,292</u>	<u>739,334</u>	<u>(46,958)</u>
Park operations and development:				
Personnel services	73,400	73,400	70,767	(2,633)
Operations and maintenance	88,000	90,487	80,635	(9,852)
	<u>161,400</u>	<u>163,887</u>	<u>151,402</u>	<u>(12,485)</u>
<b>Total parks and recreation</b>	<u>4,127,800</u>	<u>4,160,430</u>	<u>4,055,755</u>	<u>(104,675)</u>



TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 3

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Finance:				
Administration:				
Personnel services	\$ 250,600	\$ 242,400	\$ 189,366	\$ (53,034)
Operations and maintenance	242,200	259,313	250,395	(8,918)
Capital outlay	-	2,400	-	(2,400)
	<u>492,800</u>	<u>504,113</u>	<u>439,761</u>	<u>(64,352)</u>
Billing and accounting:				
Personnel services	537,000	537,000	511,408	(25,592)
Operations and maintenance	18,100	19,590	17,562	(2,028)
	<u>555,100</u>	<u>556,590</u>	<u>528,970</u>	<u>(27,620)</u>
Revenue:				
Personnel services	208,200	208,200	210,128	1,928
Operations and maintenance	47,500	52,615	55,689	3,074
	<u>255,700</u>	<u>260,815</u>	<u>265,817</u>	<u>5,002</u>
Procurement:				
Personnel services	92,700	92,700	69,501	(23,199)
Operations and maintenance	4,400	4,400	3,722	(678)
	<u>97,100</u>	<u>97,100</u>	<u>73,223</u>	<u>(23,877)</u>
<b>Total finance</b>	<u>1,400,700</u>	<u>1,418,618</u>	<u>1,307,771</u>	<u>(110,847)</u>
Community development:				
Administration:				
Personnel services	1,515,700	1,515,700	1,488,216	(27,484)
Operations and maintenance	279,200	458,813	32,657	(426,156)
	<u>1,794,900</u>	<u>1,974,513</u>	<u>1,520,873</u>	<u>(453,640)</u>
Community inspections:				
Personnel services	365,700	365,700	330,812	(34,888)
Operations and maintenance	10,900	10,900	5,486	(5,414)
	<u>376,600</u>	<u>376,600</u>	<u>336,298</u>	<u>(40,302)</u>
<b>Total community development</b>	<u>2,171,500</u>	<u>2,351,113</u>	<u>1,857,171</u>	<u>(493,942)</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 4

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Police:</b>				
Field operations:				
Personnel services	\$ 5,119,900	\$ 5,081,950	\$ 4,951,990	\$ (129,960)
Operations and maintenance	171,000	171,000	162,080	(8,920)
Capital outlay	196,100	196,691	192,314	(4,377)
	<u>5,487,000</u>	<u>5,449,641</u>	<u>5,306,384</u>	<u>(143,257)</u>
Support services:				
Personnel services	3,267,000	3,267,000	3,300,357	33,357
Operations and maintenance	500,400	548,530	507,894	(40,636)
Capital outlay	4,500	65,297	12,206	(53,091)
	<u>3,771,900</u>	<u>3,880,827</u>	<u>3,820,457</u>	<u>(60,370)</u>
<b>Total police</b>	<u>9,258,900</u>	<u>9,330,468</u>	<u>9,126,841</u>	<u>(203,627)</u>
<b>Public Works:</b>				
Administration:				
Personnel services	815,100	815,100	816,102	1,002
Operations and maintenance	45,000	45,000	37,693	(7,307)
	<u>860,100</u>	<u>860,100</u>	<u>853,795</u>	<u>(6,305)</u>
Engineering:				
Personnel services	505,000	505,000	490,253	(14,747)
Operations and maintenance	63,700	115,440	53,530	(61,910)
Capital outlay	22,000	22,000	21,985	(15)
	<u>590,700</u>	<u>642,440</u>	<u>565,768</u>	<u>(76,672)</u>
Program management:				
Personnel services	259,200	257,065	178,824	(78,241)
Operations and maintenance	10,300	23,892	2,446	(21,446)
	<u>269,500</u>	<u>280,957</u>	<u>181,270</u>	<u>(99,687)</u>
Building inspections:				
Personnel services	495,900	495,900	443,802	(52,098)
Operations and maintenance	80,900	81,726	89,434	7,708
	<u>576,800</u>	<u>577,626</u>	<u>533,236</u>	<u>(44,390)</u>
Building maintenance:				
Personnel services	574,000	574,000	538,427	(35,573)
Operations and maintenance	824,000	880,628	741,336	(139,292)
Capital outlay	15,000	30,000	19,740	(10,260)
	<u>1,413,000</u>	<u>1,484,628</u>	<u>1,299,503</u>	<u>(185,125)</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 5

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Public Works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 655,600	\$ 655,600	\$ 567,162	\$ (88,438)
Operations and maintenance	187,200	243,755	62,092	(181,663)
Capital outlay	42,000	42,000	40,618	(1,382)
	884,800	941,355	669,872	(271,483)
Street maintenance:				
Personnel services	685,600	685,600	863,058	177,458
Operations and maintenance	635,100	889,367	1,055,968	166,601
Capital outlay	184,400	438,177	407,861	(30,316)
	1,505,100	2,013,144	2,326,887	313,743
Refuse/recycling:				
Personnel services	977,500	977,500	890,645	(86,855)
Operations and maintenance	498,900	499,379	444,062	(55,317)
Capital outlay	116,000	116,000	108,266	(7,734)
	1,592,400	1,592,879	1,442,973	(149,906)
Vehicle and equipment maintenance:				
Personnel services	796,200	796,200	791,652	(4,548)
Operations and maintenance	434,100	445,700	237,785	(207,915)
Capital outlay	27,500	95,150	86,472	(8,678)
	1,257,800	1,337,050	1,115,909	(221,141)
Traffic engineering:				
Personnel services	235,800	231,900	172,023	(59,877)
Operations and maintenance	119,200	139,003	43,009	(95,994)
Capital outlay	92,700	108,700	39,206	(69,494)
	447,700	479,603	254,238	(225,365)
Right of way inspections:				
Personnel services	264,400	264,400	262,590	(1,810)
Operations and maintenance	10,200	10,200	6,316	(3,884)
	274,600	274,600	268,906	(5,694)
<b>Total public works</b>	<b>9,672,500</b>	<b>10,484,382</b>	<b>9,512,357</b>	<b>(972,025)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 6

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Grants and contingency:				
Operations	\$ -	\$ 21,862	\$ 26,042	\$ 4,180
<b>Total grants</b>	-	21,862	26,042	4,180
Debt service:				
Principal	1,059,700	1,059,700	1,681,126	621,426
Interest and fiscal charges	465,300	465,300	573,790	108,490
<b>Total debt service</b>	1,525,000	1,525,000	2,254,916	729,916
<b>Total General Fund expenditures</b>	<b>\$ 31,772,400</b>	<b>\$ 33,092,039</b>	<b>\$ 31,770,207</b>	<b>\$ (1,321,832)</b>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 90,000	\$ 90,000	\$ 88,293	\$ (1,707)
Miscellaneous	280,000	280,000	64,000	(216,000)
Intergovernmental	1,835,000	2,184,627	1,095,705	(1,088,922)
<b>Total revenues</b>	<b>2,205,000</b>	<b>2,554,627</b>	<b>1,247,998</b>	<b>(1,306,629)</b>
Capital Outlay:				
Parks and recreation	455,000	594,775	285,337	(309,438)
Public works:				
Buildings and grounds	1,650,000	2,511,301	901,180	(1,610,121)
Streets and sidewalks	1,790,000	15,190,860	2,545,454	(12,645,406)
Other infrastructure	200,000	1,484,925	546,853	(938,072)
Information systems improvements	50,000	1,004,413	526,961	(477,452)
<b>Total expenditures</b>	<b>4,145,000</b>	<b>20,786,274</b>	<b>4,805,785</b>	<b>(15,980,489)</b>
<b>Revenues under expenditures</b>	<b>(1,940,000)</b>	<b>(18,231,647)</b>	<b>(3,557,787)</b>	<b>14,673,860</b>
Other financing sources:				
Issuance of debt	1,260,000	1,260,000	-	(1,260,000)
Transfers in	585,000	585,000	1,005,000	420,000
<b>Total other financing sources</b>	<b>1,845,000</b>	<b>1,845,000</b>	<b>1,005,000</b>	<b>(840,000)</b>
<b>Net change in fund balance</b>	<b>(95,000)</b>	<b>(16,386,647)</b>	<b>(2,552,787)</b>	<b>13,833,860</b>
Fund balance, July 1	95,000	16,386,647	8,202,084	(8,184,563)
Fund balance, June 30	\$ -	\$ -	\$ 5,649,297	\$ 5,649,297

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 1

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)**  
**COMPARED WITH ESTIMATED REVENUES**  
**Year Ended June 30, 2015**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Horse Pen Run Watershed:				
Builder contributions	\$ 21,581	\$ 21,581	\$ -	\$ 21,581
Interest on investments	20,124	20,124	-	20,124
Storm Drain Easement/Construction:				
Builder contributions	14,171	14,171	-	14,171
Federal/state grants	97,500	97,500	-	97,500
Proceeds from bond issue	197,500	197,500	-	197,500
Transfer from General Fund	1,585,200	1,585,200	-	1,585,200
Interest on investments	221,980	220,267	1,713	221,980
Reallocation of remaining authorizations	260,159	64,872	195,287	260,159
Traffic Signals and Automated Control Systems:				
Builder contributions	6,250	6,250	-	6,250
Federal/state grants	97,596	72,968	24,628	97,596
Transfer from General Fund	572,294	572,294	-	572,294
Interest on investments	98,904	98,904	-	98,904
Reallocation of remaining authorizations	222,447	270,443	(47,996)	222,447
Street Light Installation:				
Transfer from General Fund	376,000	376,000	-	376,000
Interest on investments	97,039	96,126	913	97,039
Reallocation of remaining authorizations	141,908	82,918	58,990	141,908

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 2

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)**  
**COMPARED WITH ESTIMATED REVENUES**  
**Year Ended June 30, 2015**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
<b>Ball Field Improvements/Recreation Facilities:</b>				
Builder contributions	\$ 111,500	\$ 111,500	\$ -	\$ 111,500
Donations	12,500	12,500	-	12,500
Fairfax County grant	12,500	12,500	-	12,500
Transfer from General Fund	486,214	486,214	-	486,214
Interest on investments	105,779	99,547	6,232	105,779
Reallocation of remaining authorizations	546,304	(242,783)	789,087	546,304
<b>Locust Street Improvements:</b>				
Builder contributions	61,083	61,083	-	61,083
Interest on investments	60,245	59,937	308	60,245
Reallocation of remaining authorizations	(75,356)	(75,048)	(308)	(75,356)
<b>Downtown Street Improvements:</b>				
Federal/state grants	811,284	767,828	43,456	811,284
Proceeds from bond issue	787,032	787,032	-	787,032
Transfer from General Fund	1,766,968	1,766,968	-	1,766,968
Interest on investments	530,218	522,649	7,569	530,218
Reallocation of remaining authorizations	(1,539,467)	(1,530,296)	(9,171)	(1,539,467)
<b>Gateway Entrances and Historical Markers:</b>				
Transfer from General Fund	187,000	187,000	-	187,000
Interest on investments	37,972	37,972	-	37,972
Reallocation of remaining authorizations	(67,167)	(54,160)	(13,007)	(67,167)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 3

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2015

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Trails and Sidewalks:				
Federal/state/county grants	\$ 111,128	\$ 50,000	\$ 61,128	\$ 111,128
Transfer from General Fund	179,000	179,000	-	179,000
Interest on investments	57,688	53,413	4,275	57,688
Reallocation of remaining authorizations	547,420	577,309	(29,889)	547,420
Town Shop Improvements:				
Proceeds from bond issue	1,130,000	1,130,000	-	1,130,000
Transfer from General Fund	85,000	85,000	-	85,000
Interest on investments	56,362	56,362	-	56,362
Reallocation of remaining authorizations	(76,212)	(114,173)	37,961	(76,212)
Bus Stop Shelters:				
Transfer from General Fund	30,000	30,000	-	30,000
Interest on investments	25,224	25,224	-	25,224
Reallocation of remaining authorizations	41,821	41,821	-	41,821
East Elden Street Interim Improvements:				
Transfer from General Fund	370,000	370,000	-	370,000
Interest on investments	70,274	69,980	294	70,274
Reallocation of remaining authorizations	(45,773)	(46,108)	335	(45,773)



TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 4

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2015

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Town Depot Improvements:				
Transfer from General Fund	\$ 70,000	\$ 70,000	\$ -	\$ 70,000
Interest on investments	60,329	60,329	-	60,329
Reallocation of remaining authorizations	(59,867)	(40,457)	(19,410)	(59,867)
HMC Computer Equipment Room Renovations:				
Interest on investments	9,971	9,821	150	9,971
Reallocation of remaining authorizations	204,910	205,060	(150)	204,910
Elden Street and Center Street Intersection Improvements:				
Federal/state grants	17,401	11,107	6,294	17,401
Proceeds from bond issue	50,000	50,000	-	50,000
Transfer from General Fund	50,000	50,000	-	50,000
Interest on investments	45,430	37,241	8,189	45,430
Reallocation of remaining authorizations	1,065,549	(111,575)	1,177,124	1,065,549
W & OD Trail Enhancements (CMAQ grant):				
Federal/state grants	304,269	77,084	227,185	304,269
Interest on investments	68,196	67,988	208	68,196
Reallocation of remaining authorizations	(37,185)	191,124	(228,309)	(37,185)

TOWN OF HERNDON, VIRGINIA

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)**  
**COMPARED WITH ESTIMATED REVENUES**  
**Year Ended June 30, 2015**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Station Street Improvements:				
Federal/state grants	\$ 532,079	\$ 335,661	\$ 196,418	\$ 532,079
Proceeds from bond issue	1,003,000	1,003,000	-	1,003,000
Transfer from General Fund	140,000	140,000	-	140,000
Interest on investments	185,740	179,020	6,720	185,740
Donated property	11,000	11,000	-	11,000
Reallocation of remaining authorizations	1,445,394	1,434,440	10,954	1,445,394
Park Avenue and Monroe Street Intersection:				
Federal/state grants	67,925	63,350	4,575	67,925
Proceeds from bond issue	742,000	742,000	-	742,000
Transfer from General Fund	60,000	60,000	-	60,000
Interest on investments	136,360	129,156	7,204	136,360
Reallocation of remaining authorizations	268,558	1,297,305	(1,028,747)	268,558
Herndon Parkway Intersections Studies (VDOT grant):				
Federal/state grants	135,878	135,878	-	135,878
Interest on investments	236,373	216,416	19,957	236,373
Reallocation of remaining authorizations	2,793,128	3,129,885	(336,757)	2,793,128
Improvements to 397 Herndon Parkway:				
Interest on investments	6,348	6,348	-	6,348
Reallocation of remaining authorizations	24,730	24,730	-	24,730

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 6

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2015

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
W & OD Trail Lighting:				
Federal/state grants	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Builder contributions	130,000	130,000	-	130,000
Interest on investments	18,871	8,009	10,862	18,871
Reallocation of remaining authorizations	103,565	32,146	71,419	103,565
Downtown Utility Relocation:				
Federal/state grants	955,575	955,575	-	955,575
Builder contributions	8,000	-	8,000	8,000
Transfer from General Fund	600,000	450,000	150,000	600,000
Interest on investments	14,879	11,665	3,214	14,879
Reallocation of remaining authorizations	109,750	(126,769)	236,519	109,750
Dranesville Road Improvements:				
Federal/state grants	382,699	342,053	40,646	382,699
Proceeds from bond issue	200,000	200,000	-	200,000
Transfer from General Fund	325,000	325,000	-	325,000
Interest on investments	40,060	39,069	991	40,060
Reallocation of remaining authorizations	(32,291)	(15,308)	(16,983)	(32,291)
Haley M. Smith Park - Service Building and Park Equipment:				
Builder contributions and donations	96,000	40,000	56,000	96,000
Transfer from General Fund	60,000	-	60,000	60,000
Interest on investments	1,948	1,802	146	1,948
Reallocation of remaining authorizations	82,042	(2,202)	84,244	82,042

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 7

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2015

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Major Road Repaving:				
Federal/state grants	\$ 304,808	\$ 116,071	\$ 188,737	\$ 304,808
Transfer from General Fund	860,600	535,600	325,000	860,600
Interest on investments	4,383	2,057	2,326	4,383
Reallocation of remaining authorizations	(70,883)	(95,859)	24,976	(70,883)
Major Building Maintenance:				
Transfer from General Fund	156,000	156,000	-	156,000
Interest on investments	9,565	6,365	3,200	9,565
Reallocation of remaining authorizations	804,908	107,487	697,421	804,908
Storm Water Management/ Chesapeake Bay Regulations:				
Fairfax County grant	108,931	98,000	10,931	108,931
Interest on investments	478	478	-	478
Reallocation of remaining authorizations	4,863	17,791	(12,928)	4,863
Vehicular & Pedestrian Access to Herndon Metro Rail Station:				
Interest on investments	27,019	26,762	257	27,019
Reallocation of remaining authorizations	1,682,012	1,629,273	52,739	1,682,012

TOWN OF HERNDON, VIRGINIA

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2015

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Trails to Herndon Metro Rail Station:				
Federal/state grants	\$ 91,389	\$ -	\$ 91,389	\$ 91,389
Interest on investments	1,561	1,561	-	1,561
Reallocation of remaining authorizations	(81,693)	98,439	(180,132)	(81,693)
Sterling Road and Herndon Parkway Intersection Improvements:				
Federal/state grants	200,318	-	200,318	200,318
Interest on investments	8,426	6,751	1,675	8,426
Reallocation of remaining authorizations	273,185	454,267	(181,082)	273,185
Van Buren Complete Street - Spring St. to South Corporate Limits:				
Interest on investments	3,076	2,342	734	3,076
Reallocation of remaining authorizations	140,474	147,658	(7,184)	140,474
Worldgate Extension - Herndon Metro Rail Area:				
Interest on investments	2,706	2,342	364	2,706
Reallocation of remaining authorizations	89,704	147,658	(57,954)	89,704

TOWN OF HERNDON, VIRGINIA

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2015

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Herndon Community Center- Phase V:				
Interest on investments	\$ 638	\$ -	\$ 638	\$ 638
Reallocation of remaining authorizations	94,362	-	94,362	94,362
Elden Street and Center Street Intersection Improvements:				
Interest on investments	154	-	154	154
Reallocation of remaining authorizations	22,846	-	22,846	22,846
Assigned to Subsequent Years' Expenditures:				
Transfer from Information Systems Improvement Fund	226,568	226,568	-	226,568
Miscellaneous	83,974	83,974	-	83,974
Reallocation of remaining authorizations	(6,419,869)	(5,035,612)	(1,384,257)	(6,419,869)
<b>Totals</b>	<b>\$ 22,011,311</b>	<b>\$ 20,228,313</b>	<b>\$ 1,782,998</b>	<b>\$ 22,011,311</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-8  
Page 1

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2015

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Horse Pen Run Watershed	\$ 41,705	\$ 36,356	\$ -	\$ 36,356	\$ 5,349
Storm Drain Easement/Construction	2,376,510	1,973,773	147,000	2,120,773	255,737
Traffic Signals and Automated Control Systems	997,491	997,491	-	997,491	-
Street Light Installations	614,947	353,759	125,218	478,977	135,970
Ball Field Improvements/Recreation Facilities	1,274,797	344,775	2,394	347,169	927,628
Locust Street Improvements	45,972	111	-	111	45,861
Downtown Street Improvements	2,356,035	1,218,083	36,794	1,254,877	1,101,158
Gateway Entrances & Historical Markers	157,805	14,082	134,060	148,142	9,663
Trails and Sidewalks	895,236	223,090	35,514	258,604	636,632
Town Shop Improvements	1,195,150	1,157,189	37,961	1,195,150	-
Bus Stop Shelters	97,045	84,904	-	84,904	12,141
East Elden Street Interim Improvements	394,501	350,087	630	350,717	43,784
Town Depot Improvements	70,462	44,318	26,144	70,462	-
HMC Computer Equipment Room Renovations	214,881	192,577	-	192,577	22,304
Elden Street and Center Street Intersection Improvements	1,228,380	25,338	11,607	36,945	1,191,435
W & OD Trail Enhancements (CMAQ grant)	335,280	113,073	191,196	304,269	31,011
Station Street Improvements	3,317,213	902,102	1,459,704	2,361,806	955,407

TOWN OF HERNDON, VIRGINIA

Exhibit B-8  
Page 2

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2015

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Park Avenue and Monroe Street Intersection	\$ 1,274,843	\$ 147,628	\$ 95,649	\$ 243,277	\$ 1,031,566
Herndon Parkway Intersections Studies (VDOT grant)	3,165,379	143,314	118,710	262,024	2,903,355
Improvements to 397 Herndon Parkway	31,078	15,573	-	15,573	15,505
W & OD Trail Lighting	452,436	349,596	102,840	452,436	-
Downtown Utility Relocation	1,688,204	941,932	267,634	1,209,566	478,638
Dranesville Road Improvements	915,468	743,229	24,653	767,882	147,586
Haley M. Smith Park - Service Building & Playground Equipment	239,990	19,131	182,497	201,628	38,362
Major Road Repaving	1,098,908	557,869	194,657	752,526	346,382
Major Building Maintenance	970,473	269,852	700,621	970,473	-
Storm Water Management/ Chesapeake Bay Regulations	114,272	98,000	7,001	105,001	9,271
Vehicular and Pedestrian Access to Herndon Metro Rail Station	1,709,031	-	91,389	91,389	1,617,642
Trails to Herndon Metro Rail Station	11,257	-	8,707	8,707	2,550
Sterling Road and Herndon Parkway Intersection Improvements	481,929	28,658	203,771	232,429	249,500
Van Buren Complete Street - Spring St. to South Corporate Limits	143,550	-	34,200	34,200	109,350
Worldgate Extension - Herndon Metro Rail Area	92,410	-	38,273	38,273	54,137
Herndon Community Center - Phase V	95,000	-	-	-	95,000
Elden Street/Center Street Intersection Improvements	23,000	-	-	-	23,000
Assigned to Subsequent Years' Expenditures	(6,109,327)	738,000	-	738,000	(6,847,327)
<b>Totals</b>	<b>\$ 22,011,311</b>	<b>\$ 12,083,890</b>	<b>\$ 4,278,824</b>	<b>\$ 16,362,714</b>	<b>\$ 5,648,597</b>



TOWN OF HERNDON, VIRGINIA

Exhibit B-9

INFORMATION SYSTEMS IMPROVEMENT FUND  
 SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
 Year Ended June 30, 2015

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Personal Computers, Printers and File Servers	\$ 1,646,048	\$ 1,436,463	\$ 190,905	\$ 1,627,368	\$ 18,680
WAN/I-NET and Internet Presence	1,363,860	1,157,462	172,618	1,330,080	33,780
Citizens Relationship Software	192,998	192,998	-	192,998	-
Financial/Human Resources Software Replacement	247,347	99,667	147,680	247,347	-
Disaster Recovery/Business Continuity Plans	78,251	78,251	-	78,251	-
Parks & Recreation Registration Software	69,832	65,929	-	65,929	3,903
Police Telecommunications Upgrades	150,837	135,079	15,758	150,837	-
<b>Totals</b>	<b>\$ 3,749,173</b>	<b>\$ 3,165,849</b>	<b>\$ 526,961</b>	<b>\$ 3,692,810</b>	<b>\$ 56,363</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-10

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 WATER AND SEWER FUND  
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Sale of water	\$ 2,655,000	\$ 2,811,888	\$ 156,888
Sewer service charges	3,335,000	3,040,808	(294,192)
Late payment charges	78,000	68,410	(9,590)
Sale of commodities	12,000	5,735	(6,265)
Rents and leases	465,000	471,960	6,960
Miscellaneous	19,500	13,711	(5,789)
<b>Total operating revenues</b>	<b>6,564,500</b>	<b>6,412,512</b>	<b>(151,988)</b>
Operating expenses:			
Finance	415,355	260,376	(154,979)
Water main maintenance	2,386,307	1,732,536	(653,771)
Sewer service charge	4,109,176	3,583,739	(525,437)
Contractual services	499,700	499,700	-
Nondepartmental:			
Depreciation and amortization	-	714,439	714,439
Miscellaneous	52,200	51,626	(574)
<b>Total operating expenses</b>	<b>7,462,738</b>	<b>6,842,416</b>	<b>(620,322)</b>
<b>Operating loss</b>	<b>(898,238)</b>	<b>(429,904)</b>	<b>468,334</b>
Nonoperating revenues (expenses):			
Investment earnings	325,000	214,682	(110,318)
Availability fees	390,000	376,299	(13,701)
Gain / (Loss) on disposal of capital assets	500	(27,090)	(27,590)
<b>Total nonoperating revenues, net</b>	<b>715,500</b>	<b>563,891</b>	<b>(151,609)</b>
<b>Change in net position</b>	<b>\$ (182,738)</b>	<b>133,987</b>	<b>\$ 316,725</b>
Total net position, July 1, as restated		<u>23,077,399</u>	
Total net position, June 30		<u>\$ 23,211,386</u>	

TOWN OF HERNDON, VIRGINIA

Exhibit B-11

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 GOLF COURSE FUND  
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Rents and leases	\$ 42,700	\$ 42,750	\$ 50
Greens fees	1,014,100	912,494	(101,606)
Golf cart revenue	286,700	268,609	(18,091)
Golf pro shop sales	66,000	62,802	(3,198)
Driving range fees	68,200	65,306	(2,894)
Miscellaneous	18,900	15,719	(3,181)
<b>Total operating revenues</b>	<b>1,496,600</b>	<b>1,367,680</b>	<b>(128,920)</b>
Operating expenses:			
Golf course operations	691,035	682,137	(8,898)
Golf course club house	569,715	556,281	(13,434)
Nondepartmental:			
Depreciation and amortization	-	224,615	224,615
Miscellaneous	57,900	57,508	(392)
<b>Total operating expenses</b>	<b>1,318,650</b>	<b>1,520,541</b>	<b>201,891</b>
<b>Operating income (loss)</b>	<b>177,950</b>	<b>(152,861)</b>	<b>(330,811)</b>
Nonoperating revenues (expenses):			
Investment earnings, net	15,000	(1,587)	(16,587)
Interest expense	(39,400)	(37,178)	2,222
Loss on disposal of capital assets	-	(10,200)	(10,200)
<b>Total nonoperating expenses, net</b>	<b>(24,400)</b>	<b>(48,965)</b>	<b>(24,565)</b>
<b>Income (loss) before capital contributions</b>	<b>153,550</b>	<b>(201,826)</b>	<b>(355,376)</b>
Capital contributions	-	16,670	16,670
<b>Change in net position</b>	<b>\$ 153,550</b>	<b>(185,156)</b>	<b>\$ (338,706)</b>
Total net position, July 1, as restated		<u>3,297,992</u>	
Total net position, June 30		<u>\$ 3,112,836</u>	

TOWN OF HERNDON, VIRGINIA

Exhibit B-12

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 CHESTNUT GROVE CEMETERY FUND  
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Cemetery sites	\$ 403,600	\$ 388,880	\$ (14,720)
Interment services	165,800	193,365	27,565
Merchandise sales	148,200	142,937	(5,263)
Miscellaneous	3,000	47,647	44,647
<b>Total operating revenues</b>	<b>720,600</b>	<b>772,829</b>	<b>52,229</b>
Operating expenses:			
Cemetery operations	529,679	518,511	(11,168)
Nondepartmental:			
Depreciation and amortization	-	107,980	107,980
Miscellaneous	22,900	22,415	(485)
<b>Total operating expenses</b>	<b>552,579</b>	<b>648,906</b>	<b>96,327</b>
<b>Operating income</b>	<b>168,021</b>	<b>123,923</b>	<b>(44,098)</b>
Nonoperating revenues (expenses):			
Investment earnings	7,600	41,848	34,248
Interest expense	(82,600)	(48,301)	34,299
<b>Total nonoperating expenses, net</b>	<b>(75,000)</b>	<b>(6,453)</b>	<b>68,547</b>
<b>Income before transfers</b>	<b>93,021</b>	<b>117,470</b>	<b>24,449</b>
Transfers in	44,500	25,526	(18,974)
Transfers out	(40,400)	(38,888)	1,512
<b>Change in net position</b>	<b>\$ 97,121</b>	<b>104,108</b>	<b>\$ 6,987</b>
Total net position, July 1, as restated		1,010,604	
Total net position, June 30		<u>\$ 1,114,712</u>	

TOWN OF HERNDON, VIRGINIA

Exhibit B-13

PROPRIETARY FUND TYPE  
 SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - BUDGET AND ACTUAL  
 DOWNTOWN PARKING FUND  
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Miscellaneous	\$ 12,700	\$ 26,903	\$ 14,203
<b>Total operating revenues</b>	<u>12,700</u>	<u>26,903</u>	<u>14,203</u>
Operating expenses:			
Downtown parking	24,082	23,861	(221)
Depreciation and amortization	-	4,422	4,422
<b>Total operating expenses</b>	<u>24,082</u>	<u>28,283</u>	<u>4,201</u>
<b>Operating loss</b>	<u>(11,382)</u>	<u>(1,380)</u>	<u>10,002</u>
Nonoperating revenues:			
Investment earnings	8,400	21,614	13,214
<b>Total nonoperating revenues</b>	<u>8,400</u>	<u>21,614</u>	<u>13,214</u>
<b>Income (loss) before transfers</b>	<u>(2,982)</u>	<u>20,234</u>	<u>23,216</u>
Transfers in	200,000	400,000	200,000
<b>Change in net position</b>	<u>\$ 197,018</u>	<u>420,234</u>	<u>\$ 223,216</u>
Total net position, July 1		<u>4,090,109</u>	
Total net position, June 30		<u>\$ 4,510,343</u>	



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**STATISTICAL SECTION**

## TOWN OF HERNDON, VIRGINIA

### STATISTICAL SECTION TABLE OF CONTENTS

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The statistical section of the town's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the town's financial performance and well being have changed over time.	1 - 5
<b>Revenue Capacity</b> These tables contain information to help the reader assess the town's most significant local revenue sources, the property tax, as well as other revenue sources.	6 - 10
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the town's current level of outstanding debt and the town's ability to issue additional debt in the future.	11 - 14
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the town's financial activities take place.	15 - 16
<b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the town's financial report relates to the services the town provides and the activities it performs.	17 - 19

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

TOWN OF HERNDON, VIRGINIA

Table 1

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 31,719,000	\$ 72,076,117	\$ 72,923,937	\$ 72,604,103	\$ 72,888,823	\$ 71,869,483	\$ 70,770,618	\$ 67,773,944	\$ 66,964,850	\$ 69,544,673
Restricted	1,215,485	1,244,028	1,268,979	1,298,335	1,331,216	-	-	3,156,244	3,156,490	2,400,979
Unrestricted	12,131,044	11,575,112	11,780,466	11,187,939	11,136,298	12,710,197	13,453,945	12,982,159	13,031,542	5,849,529
<b>Total governmental activities net position</b>	<b>\$ 45,065,529</b>	<b>\$ 84,895,257</b>	<b>\$ 85,973,382</b>	<b>\$ 85,090,377</b>	<b>\$ 85,356,337</b>	<b>\$ 84,579,680</b>	<b>\$ 84,224,563</b>	<b>\$ 83,912,347</b>	<b>\$ 83,152,882</b>	<b>\$ 77,795,181</b>
Business-type activities:										
Net investment in capital assets	\$ 15,722,161	\$ 16,466,974	\$ 16,308,652	\$ 15,947,667	\$ 14,723,720	\$ 15,029,325	\$ 14,333,960	\$ 14,277,687	\$ 14,409,510	\$ 14,601,815
Unrestricted	15,966,544	14,919,283	14,205,592	13,837,158	15,190,726	14,896,236	15,810,683	15,838,128	17,747,172	17,347,462
<b>Total business-type activities net position</b>	<b>\$ 31,688,705</b>	<b>\$ 31,386,257</b>	<b>\$ 30,514,244</b>	<b>\$ 29,784,825</b>	<b>\$ 29,914,446</b>	<b>\$ 29,925,561</b>	<b>\$ 30,144,643</b>	<b>\$ 30,115,815</b>	<b>\$ 32,156,682</b>	<b>\$ 31,949,277</b>
Primary government:										
Net investment in capital assets	\$ 47,441,161	\$ 88,543,091	\$ 89,232,589	\$ 88,551,770	\$ 87,612,543	\$ 86,898,808	\$ 85,104,578	\$ 82,051,631	\$ 81,374,360	\$ 84,146,488
Restricted	1,215,485	1,244,028	1,268,979	1,298,335	1,331,216	-	-	3,156,244	3,156,490	2,400,979
Unrestricted	28,097,588	26,494,395	25,986,058	25,025,097	26,327,024	27,606,433	29,264,628	28,820,287	30,778,714	23,196,991
<b>Total primary government net position</b>	<b>\$ 76,754,234</b>	<b>\$ 116,281,514</b>	<b>\$ 116,487,626</b>	<b>\$ 114,875,202</b>	<b>\$ 115,270,783</b>	<b>\$ 114,505,241</b>	<b>\$ 114,369,206</b>	<b>\$ 114,028,162</b>	<b>\$ 115,309,564</b>	<b>\$ 109,744,458</b>

(4)

Notes:

- (1) Beginning in fiscal year 2007, all infrastructure capital assets acquired before 2003 were recorded.
- (2) Beginning in fiscal year 2011, the town reclassified the Cemetery Perpetual Care Fund to unrestricted.
- (3) This table reports financial information based on the accrual basis of accounting. The town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'
- (4) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 which reduced net position by \$7,812,196.



TOWN OF HERNDON, VIRGINIA

Table 2

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

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Legislative	\$ 599,013	\$ 664,636	\$ 685,284	\$ 654,002	\$ 633,438	\$ 623,912	\$ 583,204	\$ 640,816	\$ 627,221	\$ 602,274
Administration	2,991,781	2,911,464	2,945,108	3,226,320	2,164,235	2,259,326	2,644,089	2,744,129	4,043,656	2,965,744
Town attorney	415,156	393,808	461,394	519,437	532,305	587,992	475,518	497,761	539,332	522,777
Parks and recreation	3,665,259	4,350,958	4,462,531	4,658,971	4,310,670	4,363,722	4,359,512	4,608,079	4,659,976	4,732,787
Finance	1,165,622	1,191,893	1,307,331	1,348,980	1,288,960	1,215,584	1,291,803	1,379,724	1,320,493	1,321,326
Community development	1,539,821	1,735,596	1,652,196	1,950,546	2,353,844	2,346,085	2,138,936	2,127,055	1,980,462	1,804,660
Police	7,887,728	8,460,046	8,759,234	9,257,315	9,009,339	8,548,326	8,834,312	9,465,667	9,548,043	9,174,389
Public works	7,606,343	10,363,763	11,278,365	11,229,645	10,817,176	10,493,058	11,861,291	11,488,561	11,530,515	11,501,379
Interest	904,816	940,449	875,509	813,800	765,523	807,330	938,843	533,155	443,213	511,089
<b>Total governmental activities</b>	<b>26,775,539</b>	<b>31,012,613</b>	<b>32,426,952</b>	<b>33,659,016</b>	<b>31,875,490</b>	<b>31,245,335</b>	<b>33,127,508</b>	<b>33,484,947</b>	<b>34,692,911</b>	<b>33,136,425</b>
Business-type activities:										
Water and sewer	6,135,079	6,756,592	6,692,754	6,836,413	6,615,960	6,715,723	7,173,978	7,064,425	7,589,406	6,869,506
Golf course	1,464,539	1,398,081	1,564,081	1,530,464	1,561,787	1,476,713	1,531,506	1,595,145	1,554,011	1,567,919
Chestnut Grove cemetery	448,989	442,171	652,781	704,690	714,927	698,361	686,962	729,837	707,836	697,207
Downtown parking	129,847	79,465	278,725	65,844	44,814	77,374	29,473	29,390	32,945	28,283
<b>Total business-type activities</b>	<b>8,178,454</b>	<b>8,676,309</b>	<b>9,188,341</b>	<b>9,137,411</b>	<b>8,937,488</b>	<b>8,968,171</b>	<b>9,421,919</b>	<b>9,418,797</b>	<b>9,884,198</b>	<b>9,162,915</b>
<b>Total government expenses</b>	<b>34,953,993</b>	<b>39,688,922</b>	<b>41,615,293</b>	<b>42,796,427</b>	<b>40,812,978</b>	<b>40,213,506</b>	<b>42,549,427</b>	<b>42,903,744</b>	<b>44,577,109</b>	<b>42,299,340</b>
Program revenue:										
Governmental activities:										
Charges for services:										
Administration	33,874	36,634	46,447	20,650	12,827	28,242	20,573	19,606	34,762	24,327
Parks and recreation	2,019,553	2,198,645	2,394,257	2,551,346	2,720,621	2,848,308	2,837,304	2,826,309	2,762,453	2,785,759
Finance	366,100	382,570	401,700	421,790	442,880	465,020	488,270	512,690	533,200	549,600
Police	475,407	555,217	509,890	579,682	544,060	543,607	583,820	498,279	469,812	543,901
Public works	470,699	546,176	398,234	466,595	495,331	498,571	421,503	687,130	646,287	634,681
Operating grants and contributions:										
Administration	197,563	174,757	177,155	195,616	112,141	114,732	29,348	-	-	-
Community development	-	638	451	-	130,958	87,289	129,380	130,823	130,000	130,000
Police	1,084,006	1,089,540	916,457	1,045,779	954,847	898,306	707,317	627,749	751,934	671,045
Public works	1,068,463	940,045	1,896,712	739,287	1,097,785	864,727	806,055	890,712	862,301	936,748
Capital grants and contributions:										
Police	-	-	-	-	-	5,000	-	-	-	-
Public works	3,381,970	11,715,486	1,013,922	1,164,938	1,645,234	1,233,410	2,570,040	1,881,507	1,610,482	1,955,113
<b>Total governmental activities program revenue</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>	<b>8,156,684</b>	<b>7,587,212</b>	<b>8,593,610</b>	<b>8,074,805</b>	<b>7,801,231</b>	<b>8,231,174</b>

TOWN OF HERNDON, VIRGINIA

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

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 4,301,639	\$ 4,418,419	\$ 4,509,547	\$ 4,378,611	\$ 5,022,814	\$ 5,372,350	\$ 5,815,824	\$ 6,007,380	\$ 6,007,620	\$ 5,926,841
Golf course	1,236,010	1,395,824	1,501,835	1,469,522	1,396,993	1,279,442	1,419,051	1,392,960	1,365,597	1,309,211
Chestnut Grove cemetery	418,563	507,959	406,729	536,054	568,783	596,106	639,107	695,230	806,521	725,182
Operating grants and contributions:										
Water and sewer	719,489	449,735	523,025	519,711	644,817	555,893	391,965	277,902	438,140	376,299
Capital grants and contributions:										
Water and sewer	553,422	308,341	41,500	75,420	78,291	314,121	50,512	119,085	-	-
Golf course	-	-	-	-	-	-	-	61,160	154,239	16,670
<b>Total business-type activities program revenues</b>	<b>7,229,123</b>	<b>7,080,278</b>	<b>6,982,636</b>	<b>6,979,318</b>	<b>7,711,698</b>	<b>8,117,912</b>	<b>8,316,459</b>	<b>8,553,717</b>	<b>8,772,117</b>	<b>8,354,203</b>
<b>Total government program revenues</b>	<b>16,326,758</b>	<b>24,719,986</b>	<b>14,737,861</b>	<b>14,165,001</b>	<b>15,868,382</b>	<b>15,705,124</b>	<b>16,910,069</b>	<b>16,628,522</b>	<b>16,573,348</b>	<b>16,585,377</b>
Net (expense) revenue:										
Governmental activities	(17,677,904)	(13,372,905)	(24,671,727)	(26,473,333)	(23,718,806)	(23,658,123)	(24,533,898)	(25,410,142)	(26,891,680)	(24,905,251)
Business-type activities	(949,331)	(1,596,031)	(2,205,705)	(2,158,093)	(1,225,790)	(850,259)	(1,105,460)	(865,080)	(1,112,081)	(808,712)
<b>Total government net expense</b>	<b>(18,627,235)</b>	<b>(14,968,936)</b>	<b>(26,877,432)</b>	<b>(28,631,426)</b>	<b>(24,944,596)</b>	<b>(24,508,382)</b>	<b>(25,639,358)</b>	<b>(26,275,222)</b>	<b>(28,003,761)</b>	<b>(25,713,963)</b>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	8,666,348	10,457,592	11,395,778	11,305,328	10,417,959	9,117,669	9,484,072	10,153,920	10,482,821	10,963,925
Business license	2,707,012	3,179,323	3,260,125	3,458,908	3,395,732	3,788,311	3,928,098	4,481,963	4,750,718	4,860,528
Transient occupancy	2,414,308	2,465,479	2,678,892	2,493,698	2,202,096	2,212,811	2,235,969	2,088,149	2,091,900	2,187,198
Local sales	1,580,278	1,639,448	1,661,725	1,511,792	1,413,606	1,488,959	1,601,032	1,668,325	1,703,517	1,848,993
Meals	1,077,313	1,169,591	1,167,976	1,103,744	1,086,649	1,154,577	1,991,460	2,008,529	2,046,307	2,121,519
Other local taxes	4,024,553	3,880,153	3,944,832	3,785,126	4,013,468	2,317,896	2,264,521	2,195,384	2,258,268	2,300,406
Revenues not restricted to specific programs	70,136	77,624	84,118	89,937	92,844	193,634	-	82,940	85,328	87,940
Intergovernmental, non-categorical aid	120,770	135,559	63,070	42,626	29,026	1,827,856	1,790,631	1,957,744	1,937,785	1,815,751
Use of money and property	866,575	1,402,972	1,332,543	1,406,066	1,216,859	725,320	899,551	451,965	1,111,136	801,986
Miscellaneous	84,178	11,828	190,623	439,355	144,995	64,412	201,030	184,899	1,984,086	77,560
Gain on sale of capital assets	1,900	19,573	52,309	-	-	-	-	-	-	-
Transfers	13,960	(63,158)	(82,139)	(46,252)	(28,468)	(9,979)	(217,583)	(175,892)	(2,109,986)	(386,638)
<b>Total governmental activities</b>	<b>21,627,331</b>	<b>24,375,984</b>	<b>25,749,852</b>	<b>25,590,328</b>	<b>23,984,766</b>	<b>22,881,466</b>	<b>24,178,781</b>	<b>25,097,926</b>	<b>26,341,880</b>	<b>26,679,168</b>

TOWN OF HERNDON, VIRGINIA

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

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Use of money and property	\$ 286,132	\$ 966,969	\$ 969,476	\$ 1,014,947	\$ 835,100	\$ 291,614	\$ 547,645	\$ 80,894	\$ 487,345	\$ 276,557
Miscellaneous	324,506	263,456	282,077	367,475	491,843	559,781	559,314	579,466	615,068	618,690
Transfers	(13,960)	63,158	82,139	46,252	28,468	9,979	217,583	175,892	2,109,986	386,638
<b>Total business-type activities</b>	<b>596,678</b>	<b>1,293,583</b>	<b>1,333,692</b>	<b>1,428,674</b>	<b>1,355,411</b>	<b>861,374</b>	<b>1,324,542</b>	<b>836,252</b>	<b>3,212,399</b>	<b>1,281,885</b>
<b>Total primary government</b>	<b>22,224,009</b>	<b>25,669,567</b>	<b>27,083,544</b>	<b>27,019,002</b>	<b>25,340,177</b>	<b>23,742,840</b>	<b>25,503,323</b>	<b>25,934,178</b>	<b>29,554,279</b>	<b>27,961,053</b>
Changes in net position:										
Governmental activities	3,949,427	11,003,079	1,078,125	(883,005)	265,960	(776,657)	(355,117)	(312,216)	(549,800)	1,773,917
Business-type activities	(352,653)	(302,448)	(872,013)	(729,419)	129,621	11,115	219,082	(28,828)	2,100,318	473,173
<b>Total primary government</b>	<b>\$ 3,596,774</b>	<b>\$ 10,700,631</b>	<b>\$ 206,112</b>	<b>\$ (1,612,424)</b>	<b>\$ 395,581</b>	<b>\$ (765,542)</b>	<b>\$ (136,035)</b>	<b>\$ (341,044)</b>	<b>\$ 1,550,518</b>	<b>\$ 2,247,090</b>

Note:

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

TOWN OF HERNDON, VIRGINIA

Table 3

**PROGRAM REVENUES BY FUNCTION / PROGRAM**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*  
**(Unaudited)**

Function / Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Administration	\$ 231,437	\$ 211,391	\$ 223,602	\$ 216,266	\$ 124,968	\$ 142,974	\$ 49,921	\$ 19,606	\$ 34,762	\$ 24,327
Parks and recreation	2,019,553	2,198,645	2,394,257	2,551,346	2,720,621	2,848,308	2,837,304	2,826,309	2,762,453	2,785,759
Finance	366,100	382,570	401,700	421,790	442,880	465,020	488,270	512,690	533,200	549,600
Community development	-	638	451	-	130,958	87,289	129,380	130,823	130,000	130,000
Police	1,559,413	1,644,757	1,426,347	1,625,461	1,498,907	1,446,913	1,291,137	1,126,028	1,221,746	1,214,946
Public works	4,921,132	13,201,707	3,308,868	2,370,820	3,238,350	2,596,708	3,797,598	3,459,349	3,119,070	3,526,542
<b>Total governmental activities</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>	<b>8,156,684</b>	<b>7,587,212</b>	<b>8,593,610</b>	<b>8,074,805</b>	<b>7,801,231</b>	<b>8,231,174</b>
Business-type activities:										
Water and sewer	5,574,550	5,176,495	5,074,072	4,973,742	5,745,922	6,242,364	6,258,301	6,404,367	6,445,760	6,303,140
Golf course	1,236,010	1,395,824	1,501,835	1,469,522	1,396,993	1,279,442	1,419,051	1,454,120	1,519,836	1,325,881
Chestnut Grove cemetery	418,563	507,959	406,729	536,054	568,783	596,106	639,107	695,230	806,521	725,182
<b>Total business-type activities</b>	<b>7,229,123</b>	<b>7,080,278</b>	<b>6,982,636</b>	<b>6,979,318</b>	<b>7,711,698</b>	<b>8,117,912</b>	<b>8,316,459</b>	<b>8,553,717</b>	<b>8,772,117</b>	<b>8,354,203</b>
<b>Total government</b>	<b>\$ 16,326,758</b>	<b>\$ 24,719,986</b>	<b>\$ 14,737,861</b>	<b>\$ 14,165,001</b>	<b>\$ 15,868,382</b>	<b>\$ 15,705,124</b>	<b>\$ 16,910,069</b>	<b>\$ 16,628,522</b>	<b>\$ 16,573,348</b>	<b>\$ 16,585,377</b>

Note:

(1) In years 2006 through 2015, the public works department received donated assets of \$2,854,521, \$10,904,769, \$215,931, \$169,792, \$738,713, \$251,315, \$484,901 and \$458,718 respectively, which is included in revenue above.

TOWN OF HERNDON, VIRGINIA

Table 4

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

	June 30,				
	2006	2007	2008	2009	2010
General Fund:					
Nonspendable	\$ 777,549	\$ 777,549	\$ 668,306	\$ 696,928	\$ 521,699
Assigned	1,514,448	1,514,448	2,076,810	1,547,148	1,330,286
Unassigned	5,505,291	5,505,291	5,065,689	5,572,879	5,830,035
<b>Total General Fund</b>	<b>\$ 7,797,288</b>	<b>\$ 7,797,288</b>	<b>\$ 7,810,805</b>	<b>\$ 7,816,955</b>	<b>\$ 7,682,020</b>
All Other Governmental Funds:					
Committed	\$ 1,215,485	\$ 1,244,028	\$ 1,268,979	\$ 1,298,335	\$ 1,331,216
Assigned	6,776,899	5,560,103	6,132,528	6,283,685	8,714,791
<b>Total all other governmental funds</b>	<b>\$ 7,992,384</b>	<b>\$ 6,804,131</b>	<b>\$ 7,401,507</b>	<b>\$ 7,582,020</b>	<b>\$ 10,046,007</b>

	June 30,				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ 465,104	\$ 437,038	\$ 396,781	\$ 319,403	\$ 274,029
Committed	-	200,000	400,000	600,000	800,000
Assigned	1,447,107	1,275,540	1,478,176	1,494,774	2,108,853
Unassigned	6,269,345	6,899,792	7,109,184	8,164,509	8,458,124
<b>Total General Fund</b>	<b>\$ 8,181,556</b>	<b>\$ 8,812,370</b>	<b>\$ 9,384,141</b>	<b>\$ 10,578,686</b>	<b>\$ 11,641,006</b>
All Other Governmental Funds:					
Nonspendable	\$ -	\$ 400	\$ -	\$ -	\$ -
Committed	1,364,493	1,401,996	1,444,382	1,497,956	1,538,465
Assigned	9,094,285	9,073,286	8,623,145	8,202,084	5,649,297
<b>Total all other governmental funds</b>	<b>\$ 10,458,778</b>	<b>\$ 10,475,682</b>	<b>\$ 10,067,527</b>	<b>\$ 9,700,040</b>	<b>\$ 7,187,762</b>

Note:

(1) In fiscal year 2011, the Town adopted GASB 54 which changed fund balance classifications. Fiscal year 2006 - fiscal year 2010 are restated to reflect the new classifications.

TOWN OF HERNDON, VIRGINIA

Table 5

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

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
General property taxes	\$ 8,702,956	\$ 10,441,826	\$ 11,415,226	\$ 11,315,372	\$ 10,397,197	\$ 9,121,061	\$ 9,469,904	\$ 10,166,799	\$ 10,500,239	\$ 10,970,320
Other local taxes	11,803,464	12,333,994	12,713,550	12,353,268	12,111,551	10,962,554	12,021,080	12,442,350	12,850,710	13,318,644
Permits, privilege fees and regulatory licenses	388,028	442,686	285,090	361,280	398,453	394,406	307,471	576,155	532,695	522,048
Fines and forfeitures	471,902	571,830	571,998	593,631	546,486	525,648	586,607	491,067	632,491	547,939
Use of money and property	866,575	1,402,972	1,332,543	1,406,066	1,216,859	725,320	899,551	451,965	1,111,136	801,986
Charges for services	2,563,109	2,769,747	2,999,216	3,158,288	3,344,974	3,540,621	3,553,684	3,550,572	3,525,332	3,556,221
Miscellaneous	84,178	11,828	190,623	318,482	122,619	45,613	173,216	156,708	33,485	77,560
Intergovernmental	2,998,623	3,151,292	3,751,795	3,017,100	3,036,075	4,914,716	5,601,971	5,020,623	5,338,235	5,508,657
<b>Total revenues</b>	<b>27,878,835</b>	<b>31,126,175</b>	<b>33,260,041</b>	<b>32,523,487</b>	<b>31,174,214</b>	<b>30,229,939</b>	<b>32,613,484</b>	<b>32,856,239</b>	<b>34,524,323</b>	<b>35,303,375</b>
<b>Expenditures:</b>										
Legislative	605,038	659,583	660,310	651,245	621,490	621,830	574,002	633,519	622,325	626,639
Administration	2,373,380	2,463,940	2,621,611	2,443,752	1,794,756	1,875,307	2,039,372	2,249,139	2,319,175	2,457,281
Town attorney	415,617	390,529	455,322	522,946	533,800	580,099	465,714	494,245	535,633	545,434
Parks and recreation	3,353,890	3,628,248	3,922,569	3,896,866	3,588,867	3,637,139	3,615,552	3,851,099	3,985,756	4,055,755
Finance	1,137,903	1,177,062	1,263,648	1,291,102	1,237,706	1,159,375	1,236,659	1,302,849	1,267,040	1,307,771
Community development	1,479,769	1,679,530	1,647,157	1,853,933	2,258,153	2,060,965	2,069,278	2,051,139	1,891,352	1,857,171
Police	7,209,795	7,787,327	8,426,430	8,662,952	8,605,850	8,164,952	8,829,067	9,053,956	9,097,892	9,126,841
Public works	7,452,737	8,132,036	8,281,419	9,049,695	9,071,074	8,460,778	8,534,908	9,172,971	9,453,015	9,512,357
Grants	241,986	213,168	70,741	169,494	112,375	56,077	52,544	38,171	102,305	26,042
Capital outlay	6,078,124	3,630,995	2,452,376	1,354,695	1,713,889	1,117,577	2,313,599	1,699,472	2,242,162	4,805,785
<b>Debt service:</b>										
Principal	1,676,313	1,649,242	1,936,694	1,714,623	1,804,517	1,755,837	1,458,640	1,505,093	1,540,720	1,681,126
Interest and fiscal charges	902,549	969,521	881,041	800,142	808,155	838,530	695,817	494,954	481,073	573,790
<b>Total expenditures</b>	<b>32,927,101</b>	<b>32,381,181</b>	<b>32,619,318</b>	<b>32,411,445</b>	<b>32,150,632</b>	<b>30,328,466</b>	<b>31,885,152</b>	<b>32,546,607</b>	<b>33,538,448</b>	<b>36,575,992</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(5,048,266)</b>	<b>(1,255,006)</b>	<b>640,723</b>	<b>112,042</b>	<b>(976,418)</b>	<b>(98,527)</b>	<b>728,332</b>	<b>309,632</b>	<b>985,875</b>	<b>(1,272,617)</b>
<b>Other financing sources (uses):</b>										
Transfers in	1,216,293	1,508,043	1,424,483	551,856	1,255,981	755,777	666,003	584,487	1,048,074	1,043,888
Transfers out	(1,202,333)	(1,571,201)	(1,506,622)	(598,108)	(1,284,449)	(765,756)	(883,586)	(760,379)	(3,158,060)	(1,430,526)
Issuance of debt	5,490,000	500,000	-	-	3,240,000	902,500	97,500	-	-	-
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	(4,368)	21,038	-	-	71,562	92,459	-	-	-	-
Proceeds from sale of property	18,208	19,573	52,309	120,873	22,376	19,995	27,375	29,876	1,951,169	-
<b>Total other financing sources (uses), net</b>	<b>5,517,800</b>	<b>477,453</b>	<b>(29,830)</b>	<b>74,621</b>	<b>3,305,470</b>	<b>1,010,834</b>	<b>(80,614)</b>	<b>(146,016)</b>	<b>(158,817)</b>	<b>(177,341)</b>
<b>Net changes in fund balances</b>	<b>\$ 469,534</b>	<b>\$ (777,553)</b>	<b>\$ 610,893</b>	<b>\$ 186,663</b>	<b>\$ 2,329,052</b>	<b>\$ 912,307</b>	<b>\$ 647,718</b>	<b>\$ 163,616</b>	<b>\$ 827,058</b>	<b>\$ (1,449,958)</b>

TOWN OF HERNDON, VIRGINIA

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

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 2,578,862	\$ 2,618,763	\$ 2,817,735	\$ 2,514,765	\$ 2,612,672	\$ 2,594,367	\$ 2,154,457	\$ 2,000,047	\$ 2,021,793	\$ 2,254,916
Total expenditures	\$ 32,927,101	\$ 32,381,181	\$ 32,619,318	\$ 32,411,445	\$ 32,150,632	\$ 30,328,466	\$ 31,885,152	\$ 32,546,607	\$ 33,538,448	\$ 36,575,992
Less: capital outlay	(6,484,548)	(2,909,600)	(1,721,592)	(1,236,989)	(2,115,568)	(920,817)	(1,325,046)	(1,784,169)	(2,464,081)	(4,496,172)
<b>Noncapital expenditures</b>	<b>\$ 26,442,553</b>	<b>\$ 29,471,581</b>	<b>\$ 30,897,726</b>	<b>\$ 31,174,456</b>	<b>\$ 30,035,064</b>	<b>\$ 29,407,649</b>	<b>\$ 30,560,106</b>	<b>\$ 30,762,438</b>	<b>\$ 31,074,367</b>	<b>\$ 32,079,820</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9.75%</b>	<b>8.89%</b>	<b>9.12%</b>	<b>8.07%</b>	<b>8.70%</b>	<b>8.82%</b>	<b>7.05%</b>	<b>6.50%</b>	<b>6.51%</b>	<b>7.03%</b>

TOWN OF HERNDON, VIRGINIA

Table 6

**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 (1)	Business License	Transient Occupancy	Local Sales	Meals (2)	Cigarette (3)	Motor Vehicle	Consumer Utility and Consumption (4)	Mobile Tele- Communications (5)	5% Communications Sales and Use (6)	Other (7)	Total
2006	\$ 8,702,956	\$ 2,707,012	\$ 2,414,308	\$ 1,580,278	\$ 1,077,313	\$ 373,152	\$ 318,846	\$ 1,787,691	\$ 650,991	\$ -	\$ 893,873	\$ 20,506,420
2007	10,441,826	3,179,323	2,465,479	1,639,448	1,169,591	352,223	288,512	1,327,411	316,404	847,892	747,711	22,775,820
2008	11,415,226	3,260,125	2,678,892	1,661,725	1,167,976	322,660	271,605	877,394	-	1,928,078	545,095	24,128,776
2009	11,315,372	3,458,908	2,493,698	1,511,792	1,103,744	307,047	285,356	878,034	-	1,796,554	518,135	23,668,640
2010	10,397,197	3,395,732	2,202,096	1,413,606	1,086,649	293,592	290,313	899,685	-	1,853,246	676,632	22,508,748
2011	9,121,061	3,788,311	2,212,811	1,488,959	1,154,577	390,163	373,933	884,483	-	-	669,317	20,083,615
2012	9,469,904	3,928,098	2,235,969	1,601,032	1,991,460	364,975	386,712	882,544	-	-	630,290	21,490,984
2013	10,166,799	4,481,963	2,088,149	1,668,325	2,008,529	333,869	373,415	888,993	-	-	599,107	22,609,149
2014	10,500,239	4,750,718	2,091,900	1,703,517	2,046,307	337,783	371,325	895,793	-	-	653,367	23,350,949
2015	10,970,320	4,860,528	2,187,198	1,848,993	2,121,519	323,517	365,163	891,319	-	-	720,407	24,288,964
Change 2006-2015	26.05%	79.55%	-9.41%	17.00%	96.93%	-13.30%	14.53%	-50.14%	N/A	N/A	-19.41%	18.45%

Source: Town records.

Notes:

- (1) Town's real property assessments have increased 21 percent from 2006 to 2015. In addition, the town's real estate tax rate increased over the past ten years from \$0.25 per \$100 of assessed value (AV) to \$0.2650 per \$100 AV.
- (2) Town adopted a meals tax, at a rate of 1.5 percent, which became effective July 1, 2004. Rate was increased to 2.5 percent effective July 1, 2011.
- (3) Cigarette tax rate was \$0.50 per pack effective for fiscal years 2006 thru 2010. For fiscal years 2011 through 2015, rate was increased to \$0.75 per pack.
- (4) The consumer utility tax on telecommunication services was eliminated effective January 1, 2007 and replaced by the State 5 percent communications sales and use tax. (See Note 6)
- (5) Town adopted a mobile telecommunications (cell phone) tax which became effective December 1, 2004. The mobile telecommunications (cell phone) tax was eliminated effective January 1, 2007 and replaced by the state's communications sales and use tax. (See Note 6)
- (6) State communications sales and use tax became effective January 1, 2007. This tax replaced three locally assessed town taxes which are the consumer utility tax on telecommunication services, the mobile telecommunications (cell phone) tax and the 5 percent portion of the town's cable TV franchise fee. Beginning in fiscal year 2011, this tax is now accounted for as state intergovernmental revenue.
- (7) Includes right of way use fees, bank stock taxes and cable TV franchise fees.



TOWN OF HERNDON, VIRGINIA

Table 7

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

Fiscal Year June 30,	Residential Property	Commercial Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
2006	\$ 1,924,855,719	\$ 1,417,144,440	\$ 138,361,962	\$ 115,928,125	\$ 3,596,290,246	\$ 3,480,362,121	9.23%	\$ 0.2500	\$ 3,480,362,121	100.00%
2007	2,417,778,953	1,801,437,496	187,449,426	148,854,355	4,555,520,230	4,406,665,875	26.62%	0.2400	4,406,665,875	100.00%
2008	2,478,870,750	2,118,458,610	152,834,703	148,854,355	4,899,018,418	4,750,164,063	7.79%	0.2400	4,750,164,063	100.00%
2009	2,370,955,949	2,212,843,650	148,261,544	235,205,540	4,967,266,683	4,732,061,143	(0.38)%	0.2400	4,732,061,143	100.00%
2010	1,679,450,917	2,174,409,910	137,947,029	222,736,840	4,214,544,696	3,991,807,856	(15.64)%	0.2600	3,991,807,856	100.00%
2011	1,596,765,065	1,684,423,215	134,591,895	202,647,500	3,618,427,675	3,415,780,175	(14.43)%	0.2675	3,415,780,175	100.00%
2012	1,708,242,740	1,747,193,177	119,532,778	204,073,885	3,779,042,580	3,574,968,695	4.66%	0.2650	3,574,968,695	100.00%
2013	1,801,509,810	1,925,923,584	116,081,340	205,388,122	4,048,902,856	3,843,514,734	7.51%	0.2650	3,843,514,734	100.00%
2014	1,980,265,471	1,883,749,270	81,935,902	208,716,740	4,154,667,383	3,945,950,643	2.67%	0.2650	3,945,950,643	100.00%
2015	2,173,438,731	1,859,709,194	114,688,984	214,819,800	4,362,656,709	4,147,836,909	5.12%	0.2650	4,147,836,909	100.00%

Sources:

Town of Herndon Department of Finance

County of Fairfax Department of Tax Administration (Real Estate Division)

Notes:

- (1) Increases in assessments from 2006 through 2009 correspond to rapid increases in residential and commercial values, coupled with extensive residential and commercial building construction, which began in 1999.
- (2) Declines in assessments noted for 2010 and 2011, especially in the residential sector, reflect the rapid decline in property values during that time for the Washington DC housing market.

**TOWN OF HERNDON, VIRGINIA**

**Table 8**

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

Fiscal Year June 30,	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2006	\$ 0.2500	\$ -	\$ 1.0000	\$ 4.5700	\$ 1.2500	\$ 4.5700
2007	0.2400	-	0.8900	4.5700	1.1300	4.5700
2008	0.2400	-	0.8900	4.5700	1.1300	4.5700
2009	0.2400	-	0.9200	4.5700	1.1600	4.5700
2010	0.2600	-	1.0400	4.5700	1.3000	4.5700
2011	0.2675	-	1.0900	4.5700	1.3575	4.5700
2012	0.2650	-	1.0750	4.5700	1.3400	4.5700
2013	0.2650	-	1.0850	4.5700	1.3500	4.5700
2014	0.2650	-	1.0900	4.5700	1.3550	4.5700
2015	0.2650	-	1.0900	4.5700	1.3550	4.5700

Notes:

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

TOWN OF HERNDON, VIRGINIA

Table 9

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

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
BP New Dominion Technology	\$ 74,129,800	1	1.79 %	\$ -	-	- %
New Dominion	67,583,590	2	1.63	-	-	-
GSG Residential Westerly	62,584,810	3	1.51	-	-	-
GSG Residential Townes	60,005,960	4	1.45	-	-	-
Worldgate Centre Owner LLC	59,901,780	5	1.44	-	-	-
Inland America Herndon Worldgate	58,837,590	6	1.42	-	-	-
MIVPO LLC	56,554,760	7	1.36	-	-	-
Realty Associates Fund IX LP	51,858,220	8	1.25	-	-	-
RREEF America Reit II Corp VVV	46,244,020	9	1.11	-	-	-
Washington Real Estate Investment Trust	47,412,790	10	1.14	-	-	-
Federal National Mortgage Assoc.	-	-	-	85,545,825	1	2.46
River Ridge LP	-	-	-	39,363,570	2	1.13
JWMFE Herndon LLC	-	-	-	38,957,115	3	1.12
Worldgate Centre LLC	-	-	-	38,037,365	4	1.09
Caleast Industrial	-	-	-	37,225,535	5	1.07
New Dominion Technology Park	-	-	-	32,849,165	6	0.94
CB Monument II, Inc	-	-	-	31,499,305	7	0.91
Dwoskin, Albert J. Trust	-	-	-	31,057,965	8	0.89
First Herndon Associates Limited	-	-	-	30,610,215	9	0.88
HMH Properties	-	-	-	29,291,600	10	0.84
<b>Total</b>	<b>\$ 585,113,320</b>		<b>14.11 %</b>	<b>\$ 394,437,660</b>		<b>11.33 %</b>

Sources:

Town of Herndon Department of Finance.

County of Fairfax Department of Tax Administration (Real Estate Division).

TOWN OF HERNDON, VIRGINIA

Table 10

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

Fiscal Year June 30,	Taxes Levied for the Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 8,700,905	\$ 8,650,854	99.42%	\$ 50,051	\$ 8,700,905	100.00%
2007	10,466,159	10,398,449	99.35%	67,705	10,466,154	100.00%
2008	11,033,590	10,982,504	99.54%	51,086	11,033,590	100.00%
2009	11,001,119	10,961,629	99.64%	39,351	11,000,980	100.00%
2010	10,019,464	9,970,734	99.51%	48,730	10,019,464	100.00%
2011	8,709,325	8,657,610	99.41%	51,540	8,709,150	100.00%
2012	9,160,086	9,104,251	99.39%	55,444	9,159,695	100.00%
2013	9,880,992	9,845,894	99.64%	33,488	9,879,382	99.98%
2014	10,299,028	10,272,232	99.74%	21,649	10,293,881	99.95%
2015	10,705,433	10,674,237	99.71%	NA	10,674,237	99.71%

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 11

**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				General Obligation Bonds		Debt Per Capita
2006	\$ 21,648,236	\$ 525,000	\$ 1,660,771	\$ 23,834,007	1.67%	\$ 1,047	\$ 21,648,236	0.62%	\$ 938
2007	20,523,352	525,000	3,414,710	24,463,062	1.66%	1,054	20,523,352	0.47%	884
2008	18,754,365	360,000	3,269,337	22,383,702	1.42%	958	18,754,365	0.39%	803
2009	17,207,449	195,000	3,121,892	20,524,341	1.23%	874	17,207,449	0.36%	733
2010	18,046,007	865,000	3,478,783	22,389,790	1.32%	953	18,046,007	0.45%	768
2011	16,382,491	1,767,500	3,364,163	21,514,154	1.36%	911	16,382,491	0.48%	694
2012	15,388,576	1,730,000	3,166,900	20,285,476	1.33%	861	15,388,576	0.43%	653
2013	14,009,445	1,590,513	2,961,603	18,561,561	1.14%	787	14,009,445	0.36%	594
2014	12,594,199	1,451,514	2,747,420	16,793,133	0.99%	712	12,594,199	0.32%	534
2015	12,464,958	87,397	2,609,488	15,161,843	0.89%	642	12,464,958	0.30%	528

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 15.
- (3) See table 7 for property value data.

TOWN OF HERNDON, VIRGINIA

Table 12

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2015  
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Fairfax County, Virginia	\$ 2,367,800,510	1.8414%	\$ 43,601,654
Town Direct Debt			<u>12,552,355</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 56,154,009</u></u>

Sources:

- (1) Town of Herndon Department of Finance and County of Fairfax Finance Department.
- (2) Town of Herndon percentage of overlapping debt based on Real Estate assessed values of each respective entity.

TOWN OF HERNDON, VIRGINIA

Table 13

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

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 334,200,016	\$ 421,921,645	\$ 459,732,936	\$ 458,379,960	\$ 385,386,083	\$ 328,121,001	\$ 345,568,950	\$ 372,773,329	\$ 386,401,474	\$ 403,314,793
Total net debt applicable to limit	<u>22,173,236</u>	<u>21,048,352</u>	<u>19,114,365</u>	<u>17,402,449</u>	<u>18,911,007</u>	<u>18,149,991</u>	<u>17,118,576</u>	<u>15,599,958</u>	<u>14,045,713</u>	<u>12,552,355</u>
Available legal debt margin	<u>\$ 312,026,780</u>	<u>\$ 400,873,293</u>	<u>\$ 440,618,571</u>	<u>\$ 440,977,511</u>	<u>\$ 366,475,076</u>	<u>\$ 309,971,010</u>	<u>\$ 328,450,374</u>	<u>\$ 357,173,371</u>	<u>\$ 372,355,761</u>	<u>\$ 390,762,438</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	6.63%	4.99%	4.16%	3.80%	4.91%	5.53%	4.95%	4.18%	3.64%	3.11%

Legal Debt Margin Calculation for Fiscal Year 2015

Summary of Outstanding Debt:

Assessed value of real estate	<u>\$ 4,033,147,925</u>	2005 general obligation bonds	\$ 230,000
Debt limit (10% of assessed value)	\$ 403,314,793	2006 general obligation bonds	45,354
Debt applicable to limit:		2010 general obligation bonds	1,922,650
Net direct debt outstanding	<u>12,552,355</u>	2010 refunding bonds	1,130,708
		2012 refunding bonds	4,999,000
		2010 twenty-year note	87,397
		2014 refunding bonds	4,032,000
Available legal debt margin	<u>\$ 390,762,438</u>	Deferred bond premiums	106,589
		Deferred bond discounts	<u>(1,343)</u>
			<u>\$ 12,552,355</u>

Notes:

- (1) Net direct debt excludes debt service on general obligation bond issues in the Golf Course and the Chestnut Grove Cemetery Funds.
- (2) 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.

TOWN OF HERNDON, VIRGINIA

Table 14

**BOND COVERAGE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Golf Course Fund							
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 1,293,184	\$ 1,181,895	\$ 111,289	\$ 49,899	\$ 49,323	\$ 99,222	1.12
2007	1,464,100	1,134,362	329,738	51,212	47,527	98,739	3.34
2008	1,576,985	1,303,023	273,962	53,838	45,632	99,470	2.75
2009	1,518,889	1,270,943	247,946	55,152	43,559	98,711	2.51
2010	1,512,540	1,306,977	205,563	59,091	41,353	100,444	2.05
2011	1,369,871	1,188,595	181,276	87,059	59,284	146,343	1.24
2012	1,496,295	1,252,292	244,003	83,044	46,623	129,667	1.88
2013	1,467,555	1,331,920	135,635	85,670	44,298	129,968	1.04
2014	1,462,861	1,298,157	164,704	89,146	42,294	131,440	1.25
2015	1,366,093	1,295,926	70,167	93,085	39,014	132,099	0.53

Chestnut Grove Cemetery Fund							
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 469,000	\$ 369,329	\$ 99,671	\$ 28,788	\$ 28,455	\$ 57,243	1.74
2007	606,799	353,710	253,089	29,546	27,419	56,965	4.44
2008	472,053	415,793	56,260	89,468	106,669	196,137	0.29
2009	573,029	447,881	125,148	90,225	104,730	194,955	0.64
2010	616,522	466,123	150,399	96,392	101,412	197,804	0.76
2011	635,207	459,127	176,080	107,104	99,529	206,633	0.85
2012	686,149	475,324	210,825	103,316	89,108	192,424	1.10
2013	744,741	524,940	219,801	108,724	85,348	194,072	1.13
2014	851,041	514,028	337,013	114,133	81,210	195,343	1.73
2015	814,677	540,926	273,751	116,406	56,725	173,131	1.58

Notes:

- (1) Utility service charges includes all revenues of the fund except gains on sale of capital assets and capital grant revenue.
- (2) Operating expenses are exclusive of depreciation and amortization, interest expense and losses on sale of capital assets.
- (3) The bonds for the Chestnut Grove Cemetery Fund were issued in fiscal years 2001 and 2007 with the first principal payments due in fiscal years 2002 and 2008, respectively.
- (4) The bonds for the Chestnut Grove Cemetery Fund and the Golf Course Fund issued in fiscal year 2001 were refunded in fiscal year 2011. The last principal payment for the refunded bonds and the first principal payment for the refunding bonds were made in fiscal year 2011.



**TOWN OF HERNDON, VIRGINIA**

**Table 15**

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

Fiscal Year June 30,	Population (1)	Personal Income (000's) (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rates (%) (4)
2006	23,087	\$ 1,428,139	\$ 61,859	164,408	2.5
2007	23,217	1,476,114	63,579	164,284	2.2
2008	23,367	1,581,736	67,691	166,307	3.2
2009	23,476	1,662,617	70,822	169,538	4.8
2010	23,496	1,691,289	71,982	169,538	5.1
2011	23,620	1,584,760	67,094	172,391	4.9
2012	23,556	1,522,589	64,637	177,918	4.2
2013	23,572	1,622,861	68,847	181,259	4.3
2014	23,592	1,689,352	71,607	183,895	4.2
2015	23,612	1,694,208	71,752	185,914	4.0

Sources:

- (1) Town of Herndon, Community Development.
- (2) Fairfax County Department of Systems Management for Human Services, U. S. Census Bureau's American Community Survey.
- (3) Fairfax County Public Schools, Office of Finance.
- (4) Virginia Employment Commission, Annual Unemployment Statistics (not seasonally adjusted).  
Rate is for Fairfax County as of June 30 of the fiscal year.

**TOWN OF HERNDON, VIRGINIA**

**Table 16**

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

Employer	2015 Employment Range	2006 Employment Range
Booz Allen Hamilton Inc.	Over 500	-
Exelis Inc.	Over 500	-
CLF Herndon LLC	Over 500	-
Northwest Federal Credit Union	249-499	249-499
Amazon Corporation	249-499	-
Worldgate Sport & Health Club	249-499	-
Town of Herndon	249-499	249-499
Airline Pilots Association	100-250	-
Boeing Company	100-250	-
Medical Transportation Service	100-250	-
General Services Administration	-	Over 500
Cisco Systems Inc.	-	Over 500
Sprint Nextel Operations	-	Over 500
Federal National Mortgage	-	Over 500
Department of Interior	-	249-499
Parsons Brinckerhoff Group Inc	-	249-499
Savvis Communications Corp	-	249-499
Sport and Health	-	100-250

Sources:

Fairfax County Economic Development Authority.

Virginia Employment Commission.

Town of Herndon, Communications & Economic Development and Finance Departments.

TOWN OF HERNDON, VIRGINIA

Table 17

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

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Legislative	3.6	3.8	4.1	4.0	4.0	4.0	4.0	4.0	4.0	3.5
Administration:										
Public information	0.8	1.7	1.5	1.5	1.5	1.5	1.5	1.6	2.4	2.7
Town manager	2.0	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1
Human resources	4.3	3.5	3.4	3.3	3.5	3.5	3.4	3.4	3.1	3.5
Information services	6.2	5.9	6.1	6.0	5.7	5.3	6.0	6.0	6.1	5.9
Neighborhood resources (1)	5.3	3.9	4.7	3.5	-	-	-	-	-	-
Town attorney	2.8	2.9	2.8	3.0	2.6	2.6	2.8	2.8	2.6	2.6
Parks and recreation:										
Administration	5.5	4.7	5.5	4.6	3.9	4.2	4.6	4.9	4.0	5.1
Recreation programs (2)	15.9	19.5	20.1	19.3	17.7	16.9	15.3	15.1	15.1	14.8
Community center operations	11.9	12.3	15.9	17.0	15.4	16.2	16.6	16.9	16.7	16.6
Aquatics programs and operations	13.5	11.6	12.9	13.6	13.4	13.3	13.7	13.3	13.1	13.8
Park operation and development	2.3	1.6	1.9	1.1	1.2	1.4	1.3	1.6	1.6	1.1
Finance:										
Administration	2.0	1.4	1.8	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Billing and accounting	4.8	4.6	5.0	5.0	5.0	5.0	5.0	4.9	4.7	5.8
Revenue (2)	3.0	3.4	4.6	3.8	3.2	2.8	2.8	2.8	2.8	2.8
Procurement	0.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6
Community development (1), (2)	19.9	21.0	20.3	21.5	22.0	22.3	21.5	19.2	18.7	18.2
Police:										
Field operations	50.5	51.3	46.1	45.6	45.4	44.1	49.9	48.9	48.4	46.6
Support services	23.5	25.1	32.0	33.7	35.0	33.9	29.8	31.9	33.4	35.4
Public works:										
Administration	7.1	6.2	8.2	8.2	8.1	6.1	6.9	7.0	7.0	7.0
Engineering	3.8	4.2	4.6	5.0	5.0	5.0	5.0	4.9	4.4	4.7
Program management	3.1	3.0	2.0	2.8	3.0	3.0	3.0	2.9	2.8	2.0
Building inspections	4.4	4.5	5.2	5.2	4.8	4.0	4.9	4.8	4.9	4.4
Building maintenance	7.0	8.2	8.0	8.3	8.4	8.3	8.4	8.5	8.0	7.2
Grounds maintenance	10.4	10.1	10.1	10.4	10.5	7.8	9.0	11.0	11.0	11.6
Street maintenance	8.2	7.0	7.3	10.3	8.8	10.3	8.7	9.8	11.0	9.8
Refuse/recycling	17.1	17.9	18.1	17.4	16.9	17.0	16.6	17.0	16.8	16.6
Vehicle and equipment replacement	10.2	10.5	9.9	10.1	10.5	10.3	9.2	9.4	9.4	10.5
Traffic engineering (2)	4.0	3.8	3.8	3.8	3.5	3.1	3.0	3.1	3.2	3.2
Right-of-way inspections	3.1	3.1	3.0	3.1	3.2	3.1	3.1	3.0	3.1	3.1

**TOWN OF HERNDON, VIRGINIA**

**Table 17  
Page 2**

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

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water and Sewer:										
Customer service	2.9	3.3	2.0	3.7	3.8	3.8	3.9	4.1	4.0	4.3
Sewer service and maintenance (2)	6.8	6.3	6.2	5.6	6.4	5.7	3.3	4.4	5.3	5.2
Water supply and maintenance	5.3	5.7	7.1	6.4	6.7	5.6	8.1	7.7	7.3	8.3
Golf Course:										
Maintenance (2)	8.3	8.6	8.4	8.1	7.6	7.2	7.2	7.2	7.5	7.3
Clubhouse	6.0	5.9	6.2	6.3	6.0	5.7	5.8	5.7	5.8	6.1
Chestnut Grove Cemetery:										
Administration	4.5	4.4	5.1	4.9	5.0	4.9	5.0	4.8	4.8	4.9
<b>Total</b>	<b>290.4</b>	<b>293.4</b>	<b>306.9</b>	<b>311.0</b>	<b>302.5</b>	<b>292.9</b>	<b>294.4</b>	<b>297.9</b>	<b>298.0</b>	<b>298.3</b>

Source:

Town of Herndon, Finance Department

Notes:

(1) As part of the fiscal year 2010 budget, Neighborhood Resources division was transferred from Administration to Community Development.

(2) Due to economic recession, starting in fiscal year 2010 several positions in the larger departments were either "frozen" or, in some cases, eliminated.

**TOWN OF HERNDON, VIRGINIA**

**Table 18**

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

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Calls for service	33,100	35,000	35,600	33,800	27,700	28,100	27,700	30,900	28,985	36,230
Administration:										
Number of recruitments requests	78	86	158	93	78	105	89	60	56	65
Building safety:										
Total building permits	685	361	310	168	342	308	247	226	241	230
Total inspections performed	3,628	3,864	3,628	3,766	3,446	3,421	2,928	2,628	2,613	2,844
Public service:										
Refuse collected (tons)	6,704	6,362	5,817	5,655	5,868	5,948	5,860	5,248	5,670	6,250
Recycle collected (residential - tons)	1,340	1,879	1,737	1,427	1,473	1,501	1,518	1,517	1,625	1,673
Parks and Recreation:										
Recreation program attendance	15,841	14,900	15,875	16,703	17,842	17,368	16,954	12,000	11,500	11,200
Herndon Festival attendance	82,000	79,000	85,000	83,000	79,000	82,000	69,000	82,000	82,000	83,000
Water and sewer:										
New utility accounts	72	26	30	24	10	50	78	15	25	20
Average daily water consumption (mgd)	2.44	2.52	2.42	2.28	2.09	2.15	2.17	2.02	2.00	2.15
Average daily sewage treatment (mgd)	2.58	2.48	2.39	2.40	2.57	2.50	2.47	2.24	2.66	2.46
Golf Course:										
Rounds played (18 and 9 hole)	31,017	33,705	34,940	32,781	32,110	30,098	33,435	31,766	31,421	30,368
Cemetery:										
Sites sold	164	164	139	147	184	163	204	180	184	136
Interments performed	140	144	102	133	174	117	138	124	129	139

Sources:

Town of Herndon Town Manager's Annual Reports for fiscal years 2006 through 2015.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2006 through 2015.  
 Town of Herndon Department of Public Works.  
 Town of Herndon Police Department.

TOWN OF HERNDON, VIRGINIA

Table 19

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

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	31	33	35	38	39	39	42	42	45	45
Refuse Collection:										
Collection trucks	8	8	8	8	9	9	9	9	9	9
Other public works:										
Vehicles/equipment maintained	370	372	374	374	375	374	378	379	385	387
Streets:										
Primary (miles)	29.9	29.9	29.9	29.9	29.9	29.9	31.3	31.3	31.3	31.3
Secondary (miles)	98.1	98.1	98.1	98.1	98.1	98.5	98.4	98.4	98.4	98.4
Parks & Recreation:										
Parks - number of acres	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0
Swimming pools	1	1	1	1	1	1	1	1	1	1
Parks with playground equipment	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles)	87.0	88.0	88.7	88.7	89.3	89.3	89.3	89.3	83.4	84.7
Storage capacity (million gallons)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Wastewater:										
Sanitary sewers (miles)	80.0	80.8	81.3	81.3	81.8	81.8	81.8	81.8	81.8	81.8

Sources:

Town of Herndon Town Manager's Annual Reports for fiscal years 2006 through 2015.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2006 through 2015.  
 Town of Herndon Department of Public Works.



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

**COMPLIANCE SECTION**



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

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

We have audited, in accordance with the 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, Virginia (town) as of and for the year ended June 30, 2015, 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 23, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a material misstatement of the town'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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the town'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 town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 23, 2015