

TOWN OF  
**Herndon**  
VIRGINIA



**Comprehensive Annual Financial Report**  
**Fiscal Year Ended**  
**June 30, 2016**

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**TOWN OF HERNDON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2016**

Prepared by the  
Department of Finance

**TOWN OF HERNDON, VIRGINIA  
FINANCIAL REPORT**

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**INTRODUCTORY SECTION**



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**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 22, 2016

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, 2016. 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 Brown Edwards & Company, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the town for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the report's financial section.

## **PROFILE OF THE TOWN**

The Town of Herndon, Virginia is located in the northwest quadrant of Fairfax County about 23 miles west of Washington DC. The town has a land area of 4.28 square miles and was incorporated in 1879. The local economy originally centered on dairy farming and the railroad. The town was at one time in the heart of Northern Virginia's important dairy farming community. And, until about sixty years ago, it remained essentially a quiet country village where well-to-do Washingtonians rode the railroad to summer vacation homes. Since that time, the town's economic and demographic makeup has changed dramatically. The estimated 2016 population is now 23,666 persons, housed in 7,926 dwelling units. If the town is developed according to the currently adopted Comprehensive Plan (master plan), it is anticipated that the 2040 population will increase to approximately 29,800 and 10,500 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 2014 was \$112,102, and is the second highest in the nation for counties with populations of 250,000 or more. The first rated county in this category is Loudoun County which borders the town to its west.

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.



## **Local Economy (Continued)**

The national economy, which slid into recession in December 2007, is continuing to slowly and steadily recover. The town itself continues to see improvements in the growth rate of 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 5.1 percent in August 2015 to 4.9 percent by August 2016. Closer to home, Fairfax County's unemployment rate, which peaked at 5.2 percent in June 2009 was at 3.2 percent by August 2016.

The Northern Virginia area is subject to further threats of federal budget sequestration and continues to expect a dampening influence on the local economy. On a more current note, also impacting the area will be changes in the Federal Government as a change in political policies and leadership occurs. Many area employers, especially those tied to the defense industry, continue to exercise caution when looking to add new jobs or expand their operations. 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 federal agencies and changes in policies regarding federal contracting for defense spending may result in future growth. This could have a positive impact on the town's business licenses, meals tax collections and transient lodging tax collections.

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 2017 through 2019, 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 fiscal year 2015, 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 will bring the Washington area Metrorail system (dubbed the "Silver Line") to the Herndon area. The Silver Line's current terminus is at the Wiehle-Reston metro station. As of late October, the construction on the second phase had nearly reached the one-third mark and is expected to be finished by 2019 with riders on board by early 2020. The connection by rail of the town and its commercial districts to the entire metropolitan Washington region creates a vastly enhanced marketplace that will likely have broad appeal to businesses. The town continues to focus on planning for development and redevelopment at the future Herndon Metrorail area. The concepts provide for large scale transit-oriented mixed use in the vicinity of the future Station. Also envisioned is redevelopment of existing low rise office and back office areas resulting in approximately 6.9 million square feet of high quality office, residential, hotel and retail space.

## **Long-term Financial Planning and Outlook (Continued)**

Progress toward a vibrant, mixed-use development in Herndon's downtown advanced significantly during fiscal year 2016. In September 2015, the town concluded its purchase of 1.67 acres of land from a private owner. This purchase, when added to other town properties, now provides 4.7 acres of contiguous, town-owned land available for redevelopment. A solicitation requesting proposals from interested developers was released in fall 2015 to the development community. In response to the solicitation, the town received two proposals which are currently under Town Council and staff review. An award of contract is anticipated sometime in early-to-mid 2017.

New developments throughout the town got underway during fiscal year 2016. One of the more highly visible is the Junction Square project located at the intersection of Elden and Monroe streets. This mixed-use development, one of the first to incorporate the town's Downtown Master Plan guidelines, complements the Town Council's vision for the downtown. Residential development continues with several in-fill developments in progress.

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

## **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, 2016, this fund contained \$1,000,000. In 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 effect on the town's current real estate tax rate. During fiscal year 2016, another \$249,300 was added to this reserve; bringing the total available to \$535,200. 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, 2016, the firm of Brown Edwards & Company, LLP was retained to perform this service. Brown Edwards' 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-seventh 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, value and service, Herndon Centennial remains one of the premier public golf courses in the Northern Virginia metropolitan area. During the fiscal year, the course maintained 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. The course also expanded its focus on environmental best practices by incorporating hybrid technology into equipment replacement plans.

## **Parks and Recreation**

The department of Parks and Recreation was recognized with the LERN International People’s Choice Award for Excellence in Marketing for its 2015 summer camp postcard. In addition, the Herndon Community Center hosted more than 63,000 visitors and produced numerous special events through the year, such as the thirty-sixth annual Herndon Festival with an estimated 78,500 attendees.

## **Human Resources and Risk Management**

Fiscal year 2016 was the eighth 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 is 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 successfully achieved recertification as a Certified Crime Prevention Community.

## **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, 2015. This was the forty-first 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, 2015. This is the twenty-fifth 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 2016, the town's budget documents for the fiscal year beginning July 1, 2016 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, Brown Edwards & Company, LLP, for their cooperation and assistance in these efforts. We also wish to acknowledge Brown Edwards' timely guidance which assures the town's financial management and accounting is in compliance with GASB statements and other governmental accounting standards.

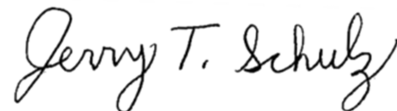
Respectfully submitted,



ARTHUR A. ANSELENE  
Town Manager



MARY K. TUOHY, CPA, MPA  
Director of Finance



JERRY T. SCHULZ, CPA  
Deputy Director of Finance



Government Finance Officers Association

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in Financial  
Reporting**

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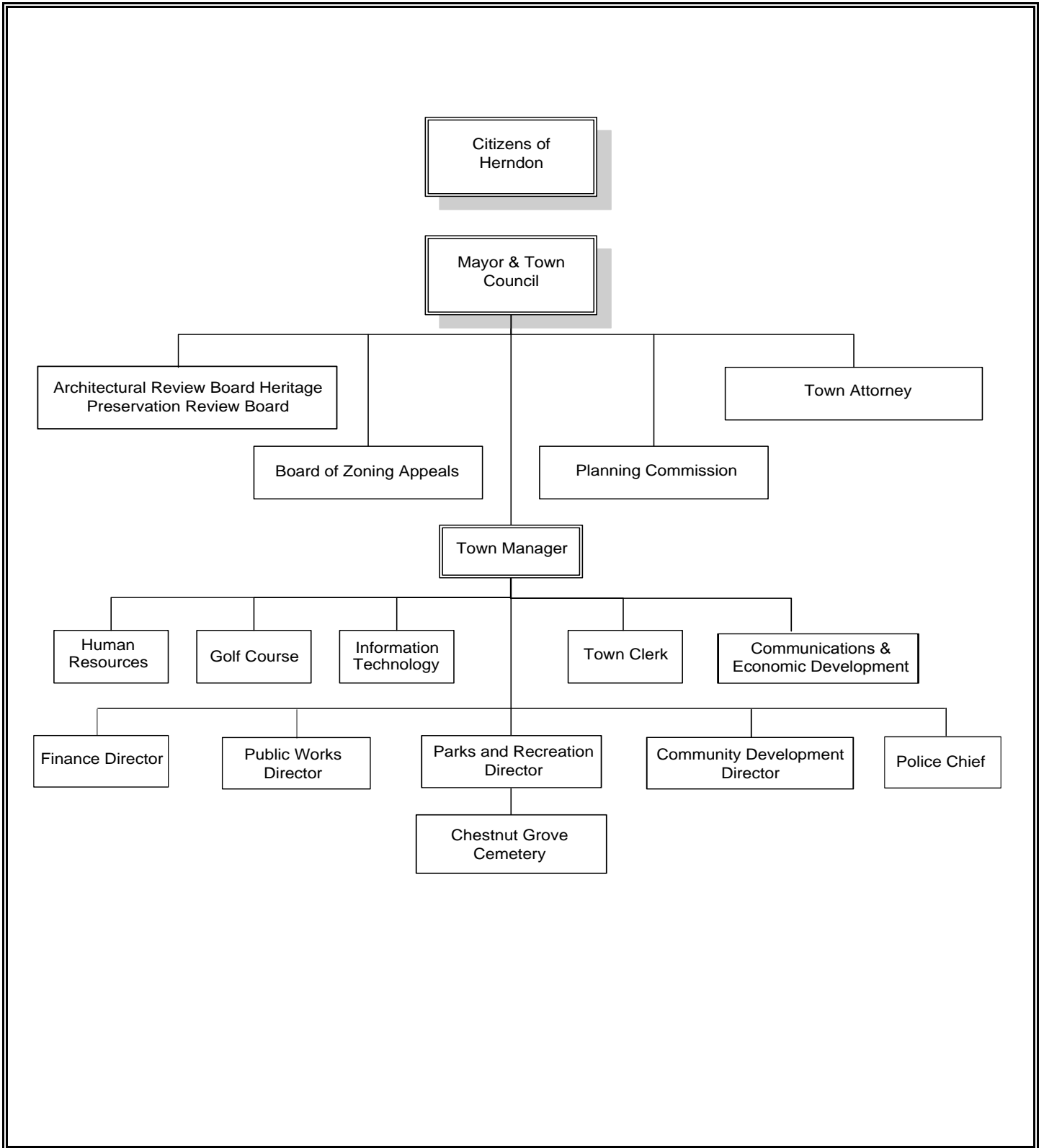
**Town of Herndon  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

TOWN OF HERNDON, VIRGINIA  
TOWN ORGANIZATION FISCAL  
YEAR 2015-2016





Comprehensive Annual Financial Report  
Year Ended June 30, 2016

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  
Chief Communications 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**

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

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





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**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Herndon, Virginia (the "town"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the town, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended June 30, 2016 has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information for the year ended June 30, 2015 was audited by other auditors whose report dated November 23, 2015 expressed an unmodified opinion on those statements.

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

***Other Matters (Continued)***

*Report on Summarized Comparative Information*

The financial statements of the town as of June 30, 2015, were audited by other auditors whose report dated November 23, 2015 expressed an unmodified opinion on those statements. The 2015 financial information, included in Exhibits A-11 and A-12, is provided for comparative purposes only.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 22, 2016

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The following discussion and analysis of the Town of Herndon, Virginia's (town) financial statements provides an overview of the town's financial performance for the fiscal year ended June 30, 2016. 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 assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$113.3 million (*total net position*). Of this amount, \$22.0 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 \$3.4 million due to several factors. These included significant decreases in functional area operating costs, such as community development and interest costs. In addition, several key revenue sources such as other local taxes, use of money and property, operating 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 \$83,000, all of which is related to transfers in totaling \$175,000 from governmental activities. In addition, a significant increase in revenues for both the Chestnut Grove Cemetery Fund and Downtown Parking Fund resulted in net position increases of \$105,000 and \$230,000, respectively. During the fiscal year, the town concluded its purchase of privately-owned land in the downtown with the intent of selling it to a developer as envisioned in the town's Downtown Master Plan.
- Total capital assets (exclusive of depreciation and amortization) increased by \$5.9 million with the continuation or completion of several major capital projects as, such as:
  - Installing underground duct banks along certain portions of the downtown for relocating overhead utilities. These efforts included the Junction Square project at the intersection of Elden and Monroe streets and along Station Street near Town Hall. Both projects are projected to be completed in fiscal year 2017.
  - Constructing street improvements at Park Avenue and Monroe Street. This project reconfigures the Monroe Street intersection with Park Avenue and includes installing curb, gutter, sidewalk, and drainage improvements.
  - Procuring and installing an automated meter reading (AMR) system which also includes replacing all residential and commercial water meters throughout the town. Addition of the new system should streamline the meter reading process and enhance Water and Sewer Fund operating efficiencies.
  - Rehabilitating and repainting the town's elevated water storage tank at the Spring Knoll location.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### Financial Highlights (Continued)

- Replacing water main segments along Elden, Center and Vine streets.
- Completing the Haley M. Smith Park service facility construction project, as described in the park's master plan. The facility includes a concession area, restrooms, and equipment storage and replaces the use of portable restrooms.
- Acquiring two replacement police cruisers, a utility vehicle and a motorcycle to update the police department's fleet. Also, twenty vehicles were upgraded with new in-car camera systems and upgraded communications equipment.
- Acquiring an automated refuse packer to streamline public work's refuse and recycling collection operations.
- Securing consulting services to develop a new town website that provides citizens with ready access to town services, news and e-services. Interactive elements on the site include real-time access to Town Council meetings, online payments, and online job application functionality, to name only a few of the new features.

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 \$20.7 million, an increase of \$1.9 million from the previous fiscal year. The increase is related to a significant increase in the Capital Projects Fund fund balance with a smaller, though still notable, fund balance increase in the General Fund. Approximately 44 percent of the total governmental funds fund balance, which is \$9.1 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 28 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. The town's outstanding principal balance for total bonded debt (all funds) was \$13.8 million at June 30, 2016.

# 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.

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:

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

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Government-Wide Financial Statements (Continued)

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 2016 in comparison to the previous fiscal year:

**TABLE 1**  
**Summary Statement of Net Position**  
**June 30, 2016 and 2015**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 31,878	\$ 30,570	\$ 18,173	\$ 19,917	\$ 50,051	\$ 50,487
Capital assets, net	81,931	82,097	19,027	17,211	100,958	99,308
<b>Total assets</b>	113,809	112,667	37,200	37,128	151,009	149,795
<b>Deferred outflows of resources</b>	1,429	1,421	246	261	1,675	1,682
Current and other liabilities	5,822	6,443	1,823	1,538	7,645	7,981
Non-current liabilities	20,620	20,937	3,381	3,567	24,001	24,504
<b>Total liabilities</b>	26,442	27,380	5,204	5,105	31,646	32,485
<b>Deferred inflows of resources</b>	7,564	8,913	210	335	7,774	9,248
Net Position:						
Net investment in capital assets	70,494	69,544	16,774	14,602	87,268	84,146
Restricted	3,986	2,401	-	-	3,986	2,401
Unrestricted	6,752	5,850	15,258	17,347	22,010	23,197
<b>Total net position</b>	<b>\$ 81,232</b>	<b>\$ 77,795</b>	<b>\$ 32,032</b>	<b>\$ 31,949</b>	<b>\$ 113,264</b>	<b>\$ 109,744</b>

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 \$113.3 million. About 20 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.

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 for governmental activities at the end of the current fiscal year increased by \$3.4 million due to several factors. These include increases in total program revenues and significant decreases in functional area operating costs in community development and interest expenses. Additional details concerning functional operating costs are provided in the section titled "Expenses" which is included in the "Governmental Activities" section presented on the next page.

In addition, several key revenue sources such as other local taxes, operating 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 in the "Governmental Activities" section presented below.

Total net position reported in connection with the town's business-type activities increased overall by \$83,000. The increase is tied to fiscal year-end net increases reported for the Chestnut Grove Cemetery Fund and Downtown Parking Fund which were \$105,000 and \$230,000, respectively. The increase in net position for the Downtown Parking Fund was due to a transfer 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. In addition, rental of the Ashwell property to a local car dealership in fall 2015 and interest earnings, less operating costs of the fund, contributed another \$30,000. Further analysis concerning the nature of these increases and decreases is discussed under the section titled "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, 2016 revenue from governmental activities totaled \$37.5 million. Sources of revenue for fiscal year 2016 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, 2015, the assessed value of real property within the town was \$4,080,007,220. 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 remained at \$0.265 per \$100 of assessed value. With the increase in assessments, the town's general property tax collections increased about \$59,000 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 increased an overall \$64,000 (equivalent to one-half of one percent) in comparison to the prior fiscal year. A majority of the increase is tied to meals tax collections which surpassed the prior fiscal year's collections by two percent and the current year budget projection by 1.7 percent. The continued impact of federal budget constraints (known as sequestration) was evident when analyzing the town's transient lodging tax collections. Current fiscal year collections retracted almost one percent when compared to the prior fiscal year. Though transient lodging tax collections for the current fiscal year were about \$17,000 below fiscal year 2015, they were still well ahead of collections for fiscal years 2013 and 2014.

In addition to general and other local taxes, the town received both operating and capital grants as well as contributions totaling over \$6 million. Major grant-related capital projects undertaken this fiscal year included the second phase of downtown streetscape improvements; construction of the Station Street improvements project and intersection improvements at Monroe Street and Park Avenue. Reimbursements were received for 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 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.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

#### **Governmental Activities (Continued)**

##### Revenues: (Continued)

Miscellaneous revenues for the current fiscal year were greater than anticipated, due to the write-off of a large reserve originally set aside five years ago to pay a potential business license refund. The request was later successfully refuted by the town.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$33.9 million which is a two percent increase when compared to the prior fiscal year. Modest increases occurred in several functional areas, such as parks and recreation, police, and public works, and were offset to some extent by significant decreases in community development and interest expenses. Overall, cost increases were anticipated as part of the town's adopted budget for fiscal year 2016. These included a market rate adjustment (MRA) effective July 1, 2015; 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 78 percent of total governmental expenses.

During the current fiscal year, governmental-type activities increased the town's net position by \$3.4 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 \$83,000. The following narrative highlights the financial activities of the town's enterprise funds.

Water and Sewer Fund: Total operating and nonoperating revenues amounted to \$6.7 million, with water and sewer availability fees and interest earnings (a combined \$731,000) accounting for approximately 11 percent of total revenues. Total user charges assessed for water sales and sewer services during the fiscal year, at \$5.6 million, were about five percent less than the previous fiscal year.

Operating expenses of the fund, which totaled \$7.0 million, included wholesale sewer conveyance charges of \$3.1 million, wholesale water purchases of \$1.1 million as well as \$27,000 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 decreased during the fiscal year by \$249,000.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

#### **Business-type Activities (Continued)**

Golf Course Fund: Total operating revenues amounted to \$1,477,000 and represent an increase of about eight percent over the previous fiscal year's results. Revenues earned correspond to the total number of golf rounds played (at 33,100) which increased nine percent in comparison to the previous fiscal year. Following the historic Winter Storm Jonas in late January, weather conditions improved the latter half of February and March, providing increased opportunities for play. The month of March was ideal for golf with temperatures reaching 60 degrees or above on 21 occasions. In contrast, extreme cold and snowy weather persisted throughout much of the previous year, closing the golf course for 52 days. In addition, minor fee amendments approved by Town Council effective March 1, 2016 increased gross sales, albeit to a much lesser extent.

Operating expenses of the fund, which totaled \$1,473,000, included personnel costs, turf maintenance and other operating supplies, depreciation and amortization costs and other miscellaneous expenses. Even with an increase in revenues over the prior fiscal year and a continued emphasis on cost saving measures, the fund's net position decreased a nominal \$3,600 by fiscal year end.

Chestnut Grove Cemetery Fund: Total operating revenues amounted to \$830,000 and represent an increase of seven percent over the previous fiscal year. Most of the increase is attributed to the sale of cemetery sites and interment services which grew by a combined \$49,000 in comparison to the previous fiscal year. During the fiscal year, the cemetery sold 132 rights of interment (including cremation sites), and performed 140 burials.

Operating expenses of the fund amounted to \$648,000 and included depreciation and amortization expenses attributed to the administration and maintenance buildings. Nonoperating expenses included \$62,000 in bond interest expense. At the conclusion of the fiscal year, the fund's net position increased significantly by \$105,000.

Downtown Parking Fund: Total operating and nonoperating revenues amounted to \$103,000 and consisted of annual parking maintenance fees; rental payments for lease of the former Ashwell property; partial recovery of a previously written-off promissory note; and interest earnings on investments and outstanding public shared parking promissory notes. Operating expenses of the fund totaled \$73,000 and included depreciation and amortization expenses of \$4,000. The fund also received an annual \$200,000 contribution (transfer in) from the General Fund which is set aside for the future construction of a parking garage in the downtown. At the conclusion of the fiscal year, the fund's net position increased by \$230,000.

The fund completed the purchase of privately-owned land and a Request for Proposals was issued for developers to bring the Town Council's Downtown Master Plan off the drawing board and into reality for the town. Two proposals were received and reviewed by the Town Council and citizens. It is anticipated that a contract will be awarded in fiscal year 2017.

**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, 2016 and 2015:

**TABLE 2**  
**Summary of Changes in Net Position**  
**Fiscal Years Ended June 30, 2016 and 2015**  
**(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,491	\$ 4,538	\$ 8,313	\$ 8,337	\$ 12,804	\$ 12,875
Operating grants and contributions	1,660	1,738	-	-	1,660	1,738
Capital grants and contributions	3,245	1,955	-	17	3,245	1,972
<b>Total program revenues</b>	<b>9,396</b>	<b>8,231</b>	<b>8,313</b>	<b>8,354</b>	<b>17,709</b>	<b>16,585</b>
<b>General revenues:</b>						
General property taxes	11,041	10,964	-	-	11,041	10,964
Other local taxes	13,373	13,318	-	-	13,373	13,318
Use of money and property	1,027	802	325	276	1,352	1,078
Intergovernmental non-categorical aid	1,868	1,816	-	-	1,868	1,816
Miscellaneous	814	166	603	619	1,417	785
<b>Total general revenues</b>	<b>28,123</b>	<b>27,066</b>	<b>928</b>	<b>895</b>	<b>29,051</b>	<b>27,961</b>
<b>Total revenues</b>	<b>37,519</b>	<b>35,297</b>	<b>9,241</b>	<b>9,249</b>	<b>46,760</b>	<b>44,546</b>
<b>Expenses:</b>						
General government administration	5,410	5,412	-	-	5,410	5,412
Parks and recreation	4,839	4,733	-	-	4,839	4,733
Community development	1,683	1,805	-	-	1,683	1,805
Police	10,022	9,174	-	-	10,022	9,174
Public works	11,666	11,501	-	-	11,666	11,501
Interest	287	511	-	-	287	511
Water and sewer	-	-	7,045	6,870	7,045	6,870
Golf course	-	-	1,506	1,568	1,506	1,568
Chestnut Grove cemetery	-	-	710	697	710	697
Downtown parking	-	-	72	28	72	28
<b>Total expenses</b>	<b>33,907</b>	<b>33,136</b>	<b>9,333</b>	<b>9,163</b>	<b>43,240</b>	<b>42,299</b>
Change in net position before transfers	3,612	2,161	(92)	86	3,520	2,247
Transfers	(175)	(387)	175	387	-	-
Change in net position	3,437	1,774	83	473	3,520	2,247
Net position, July 1	77,795	76,021	31,949	31,476	109,744	107,497
Net position, June 30	<b>\$ 81,232</b>	<b>\$ 77,795</b>	<b>\$ 32,032</b>	<b>\$ 31,949</b>	<b>\$ 113,264</b>	<b>\$ 109,744</b>

# 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 \$12.7 million with the unassigned portion totaling \$9.1 million. This amount represents over 28 percent of the General Fund's total expenditures for fiscal year 2016.

The Capital Projects Fund's fund balance was \$6.4 million at fiscal year-end and represents assets dedicated to subsequent years' capital expenditures and amounts restricted for bond proceeds not yet spent.

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 \$2.3 million. Specific details concerning governmental financial activities are as follows:

#### Revenues:

- Based on the annual assessment as of January 1, 2015, the value of real property within the town increased three-fourths of one percent over the prior year, with an overall four percent increase in the residential component. These latest numbers reaffirm that residential real property assessments continue to regain much of the values lost during the three years immediately preceding January 1, 2010.
- Six of the town's eleven other local tax sources enjoyed slight, moderate or (in one case) significant increases over the previous fiscal year. The more noteworthy increases occurred in bank stock 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 consumer utility taxes, right-of-way use fees, transient lodging taxes, cigarette taxes, utility consumption taxes and motor vehicle licenses.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

#### Revenues: (Continued)

- Collections from permits, privilege fees and regulatory licenses, which increased \$108,000, achieved an overall growth rate of 21 percent over the previous fiscal year.
- Court fees remitted from Fairfax County decreased about 15 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 \$477,000 in interest earnings during the fiscal year. This amount is net of a \$152,000 deduction to current fiscal year earnings due to the application of Governmental Accounting Standards Board (GASB) Statement No. 72 and its "fair value" requirements. Interest rates on the town's investment vehicles had a weighted average of about 3.27 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 \$6,773,000, included grant reimbursements from Fairfax County totaling \$241,000. These funds included partial use of the town's share of operational funding under the Fairfax County Stormwater Service District Tax and contributions toward the town's tourism and economic development initiatives. 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, totaling \$578,000, under the HB 2313 "30 percent" funding stream. This reimbursement applied to construction of the Park Avenue and Monroe Street intersection improvements as well as engineering design services attributed to three street improvement projects (Van Buren "complete street" project; Worldgate Drive extension project and Trails to Herndon Metro Rail project). Also reimbursed were certain VDOT revenue sharing capital projects such as the Station Street improvements, construction of the Park Avenue/Monroe streets intersection project, engineering design costs for the Elden/Center streets intersection project, 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 battery back-up power supply units for two traffic signals; and use of seized asset funds under the federal equitable sharing program to purchase additional police equipment. Also reimbursed were costs associated with engineering and design services for three street projects: the next phase of the downtown streetscape improvements, Herndon Metro Rail Intermodal Access and the Van Buren/Herndon Parkway Intersection.



# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

#### Expenditures:

- Personnel cost increases were anticipated as part of the town's adopted budget for fiscal year 2016. The current fiscal year contained funding for 261 regular status positions. In addition, the current budget strengthened the town's 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 was a one percent market rate adjustment effective July 1, 2015 for all regular status employees.
- Premium costs for employer-provided benefits, such as life insurance, health care, and the employer-portion of contributions to the Virginia Retirement System (VRS) were factored into the fiscal year 2016 budget.
- During fiscal year 2016 a number of economic development and promotional initiatives occurred. These included the second annual Mayor's New Business Breakfast; production of business promotional materials for various special events; and paid advertising to promote the town on such outlets as WTOP Radio, Fairfax Connector buses and other promotional avenues. Expenditures for all of these initiatives totaled about \$50,000.
- Parks and recreation expenditures for the current fiscal year included staffing and operating costs associated with the Community Center operations. Special events produced by the department attracted notable turnout in fiscal year 2016, with 78,000 attendees at the 36th annual Herndon Festival; 6,000 attendees at the 4th of July celebration and more than 1,500 attending the annual Labor Day Festival. Also during the year, the Center continued its approach to phasing in the replacement of aging cardio equipment. Three new tread mills were purchased for the fitness room as part of the Center's equipment replacement plan for fiscal year 2016.
- Department of Community Development expenditures were considerably below expenditures incurred during the prior fiscal year due to several position vacancies, more particularly within the department's community inspections division. The department continued working on several major planning initiatives, such as preparation for the arrival of Metrorail's Silver Line to the south of town and downtown redevelopment. The department was successful in obtaining grants from the state and Fairfax County for continued Metrorail planning, including projects to improve vehicle, bicycle and pedestrian movement along Van Buren Street, Herndon Parkway and Spring Street.
- Police department expenditures for the fiscal year included acquiring needed replacement police cruisers, replacing the department's in-car camera system with state-of-the-art technology and other public safety equipment and supply needs. In addition, all sworn police personnel were eligible to receive a 2.5 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, 2015.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

#### Expenditures: (Continued)

- 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, the town purchased its first automated refuse packer, along with 2,000 residential trash receptacles (toters) and 1,000 recycling receptacles. These will be distributed to 1,800 residents at the beginning of fiscal year 2017.
- Key capital projects undertaken by the department included construction of the Park and Monroe streets intersection improvements; final completion of the full array of improvements along Station Street between Park Avenue and Pine Street; and undergrounding utility duct banks at Monroe and Elden streets (in concert with the Junction Square development) and along Station Street near Town Hall. Also included were costs for repair and maintenance of the town's many assets which includes buildings, grounds, vehicles and equipment.
- Total debt service payments for the current fiscal year were \$839,000 less than the previous fiscal year primarily due to last fiscal year's refunding of the town's 2005 and 2006 outstanding general obligation bonds and its 2009 public improvement note.
- During the fiscal year, the town incurred \$3.3 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, 2016 the unrestricted net position for each of the four enterprise funds were as follows:

- Water and Sewer Fund with an amount of \$10,658,000
- Golf Course Fund with an amount of \$469,000
- Chestnut Grove Cemetery Fund with an amount of \$371,000
- Downtown Parking Fund with an amount of \$3,761,000

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### GENERAL FUND BUDGETARY HIGHLIGHTS

In developing the town's fiscal year 2016 budget and CIP program, the 2035 Vision Plan adopted by the town council in November 2014 (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 2016 budget were:

- Maintain the town's real estate tax, meals tax and all other local taxes at their current rates
- Incorporate the possible impacts of the federal deficit reductions on the town's business license (BPOL) taxes and other excise taxes
- Continue to allocate resources to strategic capital projects such as major road improvements, downtown redevelopment and planning for Metro Rail's Silver Line station immediately south of the town
- Consider funding to advance the Town Council's adopted 2035 Vision Plan and Goals with focus on communications, sustainability and technology and enhancing the downtown as an activity center with a focus on the arts
- Provide resources for employee compensation and maintain equitable pay for public safety employees which provides both compatibility with Fairfax County and maintains internal equity among town personnel
- Leverage available technology to bolster IT infrastructure for the Herndon Police Department, provide WiFi access at town facilities, as feasible, and implement new technologies to enhance town operational efficiencies and effectiveness
- Provide resources to review and revise the town's Heritage Preservation Review Board guidelines
- Provide resources to study structured parking costs and homeowner improvement programs
- Begin implementation of an automated refuse collection program, which includes the purchase of an automated refuse packer; and
- Implement an automated water meter reading system which includes replacing all of the town's residential and commercial water meters

The total original adopted fiscal year 2016 budget, including interfund transfers, was \$34.7 million which is about 5.7 percent more than the original budget for fiscal year 2015. Most of the increase is related to funding for capital outlay (including capital projects) and interfund transfers.

The real estate assessment at January 1, 2015 (residential and commercial combined) was approximately \$4.080 billion which was a nominal increase of three-fourths of one percent (0.73%) over the assessments at January 1, 2014. All of the increase in assessed values was tied to the residential property sector.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

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 \$1.5 million (or about 4.5 percent) more than final budgeted amounts. Much of this variance is related to substantial collection increases in other local taxes (principally bank stock taxes, business license fees, the town's share of local sales taxes 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 \$438,000 in building inspection fees and permits during the fiscal year.

#### Revenues:

- 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).
- Actual real estate tax collections were about \$57,000 more than projected due to higher than anticipated current and delinquent tax collections. The gain was offset by \$108,000 in real estate tax relief granted to qualified elderly and disabled residential property owners.
- Remittances attributed to all of the town's four major local taxes enjoyed an overall increase of 10 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 2016 were built assuming the continued negative impacts of federal sequestration. Some of the more sensitive revenue streams, such transient lodging tax collections, only slightly exceeded the budget projection (in this case, by \$7,900). Other sources, such as meals tax and local sales tax collections, exceeded the budget projections by a wide margin (\$37,000 and \$99,000, respectively). Combined collections from other local tax sources for fiscal year 2016 were 8 percent (or about \$1,044,000) above the budgeted amount for the fiscal year.
- Actual revenues from permits, privilege fees and regulatory licenses also exceeded budgeted amounts by \$248,000 or 65 percent over the estimate. The current fiscal year saw reinvigorated developer and construction activities with the initiation of the Junction Square mixed-use subdivision in the downtown. Also occurring was build-out of the Vinehaven and Monroe Hill residential subdivisions, 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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#### GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- Interest earnings and rental payments together exceeded budget projections by 23 percent. All of the increase was due to \$202,000 in interest earnings in excess of budget projections. 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 \$553,000 from this revenue source.
- Actual revenues from charges for services were essentially on target with the original budget projections. At the conclusion of the fiscal year, total actual revenue from this source exceeded budgeted amounts by only \$13,000. The increase is attributed to revenues earned from the Herndon Festival, and fees for use of the community center and tennis/ multi-use facility. These were offset by declines in recreation program charges, admission fees and sale of recyclable materials.
- Overall, total actual intergovernmental revenues were about four percent (or \$203,000) 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 in the General Fund, as originally anticipated.

#### Expenditures:

A large variance of \$2.7 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 and grants) 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 2017 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 the first and second budget amendments enacted during fiscal year 2016. The budget amendments established the fiscal year 2016 carry-over appropriations for outstanding purchase orders, authorized reserves as of June 30, 2015 and authorized the town's mid-year budget amendment. The total increase for both amendments was \$1,516,000.
- The fiscal year 2016 debt service budget included funding to issue bonds during fiscal year 2016 and make the first semi-annual debt service payment on this proposed issue. Given the reduced pace of the projects to be bond-funded, the bond issue was deferred to a later date.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

The town's investment in capital assets at June 30, 2016, which amounted to approximately \$101 million (net of accumulated depreciation and amortization), is summarized in Table 3. For comparative purposes, amounts from the previous fiscal year are displayed too.

**TABLE 3**  
**Summary of Capital Assets**  
**June 30, 2016 and 2015**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital assets, not being depreciated or amortized:						
Land and easements	\$ 24,698	\$ 24,639	\$ 3,506	\$ 3,504	\$ 28,204	\$ 28,143
Construction in progress	1,355	922	293	117	1,648	1,039
<b>Total capital assets, not being depreciated or amortized</b>	<b>26,053</b>	<b>25,561</b>	<b>3,799</b>	<b>3,621</b>	<b>29,852</b>	<b>29,182</b>
Capital assets, being depreciated or amortized:						
Infrastructure	82,171	78,680	-	-	82,171	78,680
Buildings	41,177	40,936	3,485	3,485	44,662	44,421
Improvements other than buildings	13,078	13,752	33,831	31,299	46,909	45,051
Machinery and equipment	10,059	9,484	2,183	2,009	12,242	11,493
Furniture and fixtures	969	2,087	202	202	1,171	2,289
Intangibles	1,216	1,213	265	265	1,481	1,478
<b>Total capital assets, being depreciated or amortized</b>	<b>148,670</b>	<b>146,152</b>	<b>39,966</b>	<b>37,260</b>	<b>188,636</b>	<b>183,412</b>
<b>Less total accumulated depreciation and amortization</b>	<b>(92,792)</b>	<b>(89,616)</b>	<b>(24,738)</b>	<b>(23,670)</b>	<b>(117,530)</b>	<b>(113,286)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>55,878</b>	<b>56,536</b>	<b>15,228</b>	<b>13,590</b>	<b>71,106</b>	<b>70,126</b>
<b>Capital assets, net</b>	<b>\$ 81,931</b>	<b>\$ 82,097</b>	<b>\$ 19,027</b>	<b>\$ 17,211</b>	<b>\$ 100,958</b>	<b>\$ 99,308</b>

TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

---

**GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

**Capital Assets (Continued)**

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.

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

- Downtown Utility Undergrounding and Relocation: A significant cost element of downtown redevelopment is the undergrounding and relocation of utilities. The Junction Square project at the intersection of Elden and Monroe streets, a mixed-use development that complements the Council's vision for the downtown, got under way. Also, installation of underground duct banks to receive utility undergrounding began along Station Street near Town Hall. Both projects are projected to be completed in fiscal year 2017.
- Park Avenue and Monroe Street Improvements: This improvement project reconfigured the Monroe Street intersection with Park Avenue and included installation of curb, gutter, sidewalk, and storm drainage improvements.
- Automated Meter Reading: Town operations were enhanced through a new automated meter reading (AMR) program which streamlines the meter reading process. At fiscal year end, the residential phase of the project was complete with the commercial portion slated to begin in early fiscal year 2017. Estimated completion of the entire project is mid-fiscal year 2017.
- Water Storage Tank Rehabilitation: This program provides for life cycle rehabilitation and repainting of the town's elevated water storage tanks. During fiscal year 2016, the Spring Knoll water tank was rehabilitated and repainted. A condition assessment for the 3<sup>rd</sup> Street tank indicated sufficient adequacy of the existing interior and exterior coatings. As such, the 3<sup>rd</sup> Street tank will be scheduled for rehabilitation and repainting in fiscal year 2018.
- Waterline Main Replacement Projects: The water main replacement project on Elden Street was completed during the fiscal year. Also completed were the water main replacements on Center and Vine streets.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

**Capital Assets (Continued)**

- Haley M. Smith Park Service Facility: During the fiscal year, construction of the new service facility at Haley M. Smith Park (as described in the park's master plan) was completed. The new facility includes a concession area, restrooms, and equipment storage. The facility replaces the use of portable restrooms at the park.
- Police Vehicles and In-Car Camera System: The Herndon Police department purchased two new police cruisers, a utility vehicle and a motorcycle to update its fleet. Also, twenty vehicles were upgraded with in-car camera systems and upgraded communications equipment.
- Heavy Duty Trucks: The Public Works department purchased three heavy duty trucks during the fiscal year to replace older trucks that were at the end of their useful lives and retired. Also added to the fleet was an automated refuse truck which will assist in streamlining the department's refuse and recycling operations.
- 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 server storage area network (SAN) acquired as recommended in the Herndon Police department Systems GAP analysis report.
- 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 vehicle and pedestrian access to the future Herndon Metro rail station; Herndon Parkway and Van Buren Street intersection improvements; and pedestrian and bicycle traffic improvements to Van Buren Street south of Spring Street.
- Planning for Other Key Projects: During the fiscal year, land was acquired and designs developed for new downtown streetscape improvements to include brick sidewalks, new curb and gutter, a new traffic signal at Elden and Station streets, streetlights and tree wells. The project is expected to be completed in fiscal year 2017. In addition, concept plans were approved for Elden Street and Center Street intersection improvements, to include a new traffic signal and sidewalk improvements. Design is under way.

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



TOWN OF HERNDON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LONG-TERM DEBT**

At June 30, 2016, the town's long-term debt, exclusive of compensated absences, net pension liability, other postemployment benefits, and amounts to be repaid within one year, totaled \$12,350,200. Of this amount, \$10,345,800 is a liability attributed to governmental activities with the remaining \$2,004,400 attributed to business-type activities. The town's available legal debt margin, as permitted by the Commonwealth of Virginia, is \$397 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, 2016 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>
23,666	\$4,080,007,220	\$11,436,441	.0028	\$483

In August 2016, Moody's Investor Services, Inc. affirmed its Aaa credit rating for the town, referring to the town's credit position as outstanding, with an Aaa rating much stronger than the median rating of Aa3 for US cities. Notable credit factors cited in the report include a robust financial position, a solid tax base, and a strong socioeconomic profile. The report also cited the town's exceptionally low debt liability, its moderate pension burden and its very healthy financial position.

The town also received credit ratings from Fitch Ratings, Inc. and Standard & Poor's (both designed as "AAA"). These credit ratings are one of the highest among towns in Virginia.

More detailed information concerning the town's long-term obligations is presented in Note 8 of the financial statements.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following economic factors are reflected in the town's adopted budget for fiscal year 2017:

- Based on the most recently completed annual reassessment, the assessed value of real property within the town was \$4,133,323,380 as of January 1, 2016. When compared to the total assessed values at January 1, 2015, this amount represents a combined increase of slightly more than one percent (i.e., 1.3 percent), with both residential properties and commercial properties each increasing about the same one 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 economic development activities, branding and marketing efforts which focuses on the downtown, at \$75,000;
  - Continue major road repaving at \$325,000;
  - Continue to set-aside funds for the future downtown utility relocation program at \$150,000; and
  - Continue to dedicate funds toward a future parking garage in the downtown at \$200,000.
- The July 2016 unemployment rate in Fairfax County (which includes the Town of Herndon) is estimated at 3.2 percent compared to the actual rate of 3.6 percent in July 2015. In comparison, Virginia's seasonally unadjusted unemployment rate for July 2016 is 3.7 percent and the U.S. unemployment rate is estimated at 4.9 percent.
- Though five years after the "great recession", revenue retractions continue to exert some influence on the town's economic realities and temper future economic projections. Of more concern is the effect continued federal spending cut-backs will have on the town's consumer-sensitive excise taxes and business license fees. Though local businesses seemed to have weathered the continuing federal budget sequestrations in fairly good shape, permanent declines in federal spending will have varying effects on different businesses and overall economic activities in the town and greater Washington metropolitan area. Thus, the fiscal year 2017 projection for other local taxes, including BPOL fees, was conservatively estimated at \$13,256,000 which is about a four percent increase over the budgeted amount for fiscal year 2016.
- 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 2017 projected revenue from charges for services is \$3,514,700 and is essentially the same as the budgeted amount for fiscal year 2016.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

- Total fiscal year 2017 General Fund resources, which include recurring revenues and other one-time financing sources, are projected at \$35,109,961. Overall, total fiscal year 2017 General Fund resources (including other financing sources) are projected to increase slightly more than one percent over the total budgeted amount for fiscal year 2016. The revenue projections are based on an analysis of past collections, projected trends and modest grow assumptions for consumer-sensitive excise tax sources, especially in comparison to actual collections for fiscal years 2014 and 2015. The projections also assume that some revenue sources will remain flat or experience a decline through fiscal year 2017.

The total adopted fiscal year 2017 budget (all funds), including interfund transfers, is \$55,486,261 which is about 11 percent more than the original budget for fiscal year 2016. Substantially all of the increase is related to the town's capital improvement program and interfund transfers which augment other funding sources related to major capital projects.

The fiscal year 2017 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 includes a modest pay-for-performance program with a 2.5 percent average increase for regular status employees and a four percent merit pay increase for eligible sworn police officers. Also included is a one percent market rate adjustment effective July 1, 2016 for all regular status employees.

The fiscal year 2017 budget for all capital projects and information systems improvements (all funds) is \$10,789,000 and represents an increase of \$5,032,000 over the fiscal year 2016 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:

- \$1,538,000 for Van Buren Street improvements. This project rebuilds a portion of Van Buren Street to create a "complete street" with emphasis on traffic calming and pedestrian/ bicycle facilities. This section of the street provides key linkages for multi-modal movements among different section of town, including downtown Herndon and the Herndon Metro Rail Station. A large portion of the project costs are supported by grant sources, including the VDOT Transportation Alternative program.
- \$1,320,000 for construction of phase II of the on-going Downtown Streets project. This project, which is chiefly funded through the VDOT Transportation Alternative program, will widen and enhance the streetscapes along the downtown streets with brick sidewalks, grated tree wells and other features consistent with the town's "Downtown Streetscape" standards.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

- \$650,000 for the Elden-Center Streets intersection improvement project which includes the reconstruction and signalization of this intersection. Enhancements include brick sidewalks and storm drainage improvements. A majority of the project costs are funded through use of the town's HB2313 "30%" funds and VDOT's Revenue Sharing program.
- \$360,000 to support large building maintenance and repair projects for town-owned facilities. Projects scheduled for fiscal year 2017 include replacing the fire suppression system in the Herndon Municipal Center (HMC) garage; replacing the brick paver walkways around the HMC and restoring the old Carroll Cabin house located at Runnymede Park.
- \$2,900,000 to relocate overhead utilities below ground in the downtown area. This project should assist in spurring redevelopment of the downtown by reducing infrastructure costs for the private sector. A general obligation bond is proposed to support a majority of the anticipated costs.
- \$590,000 for major component replacements of the water distribution system. Specific locations for replacement will be phased and prioritized based on pipe age, material, and impact on possible other town capital projects.
- \$344,000 which provides the first payment to Fairfax Water for an additional 1.0 million gallons per day (MGD) of water capacity.

#### 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.



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

**BASIC FINANCIAL STATEMENTS**

TOWN OF HERNDON, VIRGINIA

Exhibit A-1

STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and investments (Note 2)	\$ 21,484,212	\$ 13,423,887	\$ 34,908,099
Cash and investments with fiscal agent (Note 2)	2,404,916	-	2,404,916
Receivables, net:			
Property taxes (Note 3)	5,522,592	-	5,522,592
Trade and other accounts (Note 3)	726,279	1,209,375	1,935,654
Accrued interest	140,301	96,372	236,673
Due from other governments (Note 3)	1,283,911	-	1,283,911
Inventories	144,317	38,773	183,090
Prepaid costs	57,894	1,880	59,774
Notes receivable (Note 5)	-	46,476	46,476
Internal balances	113,985	(113,985)	-
Land held for sale	-	3,469,456	3,469,456
Capital assets: (Note 6)			
Nondepreciable	26,053,071	3,799,153	29,852,224
Depreciable, net	55,877,758	15,228,121	71,105,879
Total assets	<u>113,809,236</u>	<u>37,199,508</u>	<u>151,008,744</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	101,437	101,437
Pension related deferred outflows (Note 9)	1,428,735	144,900	1,573,635
Total deferred outflows of resources	<u>1,428,735</u>	<u>246,337</u>	<u>1,675,072</u>
<b>LIABILITIES</b>			
Accounts payable	1,427,074	1,374,816	2,801,890
Accrued payroll	411,109	36,828	447,937
Accrued liabilities - other	1,642,908	198,516	1,841,424
Accrued interest	117,460	-	117,460
Unearned revenue (Note 7)	572,945	37,697	610,642
Customer deposits	1,650,309	174,908	1,825,217
Noncurrent liabilities:			
Due within one year (Note 8)	1,721,533	333,553	2,055,086
Due in more than one year (Note 8)	12,114,242	2,342,578	14,456,820
Net pension liability (Note 9)	4,587,262	420,381	5,007,643
Other postemployment benefits (OPEB) (Note 11)	2,197,401	284,044	2,481,445
Total liabilities	<u>26,442,243</u>	<u>5,203,321</u>	<u>31,645,564</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows (Note 9)	2,087,156	210,615	2,297,771
Property taxes (Note 8)	5,476,655	-	5,476,655
Total deferred inflows of resources	<u>7,563,811</u>	<u>210,615</u>	<u>7,774,426</u>
<b>NET POSITION</b>			
Net investment in capital assets	70,494,388	16,773,326	87,267,714
Restricted:			
Capital Projects Fund	2,401,746	-	2,401,746
General Fund	3,170	-	3,170
Cemetery Perpetual Care Fund	1,580,572	-	1,580,572
Unrestricted	6,752,041	15,258,583	22,010,624
Total net position	<u>\$ 81,231,917</u>	<u>\$ 32,031,909</u>	<u>\$ 113,263,826</u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental activities:</b>							
Legislative	\$ 677,277	\$ -	\$ -	\$ -	\$ (677,277)		\$ (677,277)
Administration	2,691,531	9,675	-	-	(2,681,856)		(2,681,856)
Town attorney	556,236	-	-	-	(556,236)		(556,236)
Parks and recreation	4,839,122	2,710,943	-	-	(2,128,179)		(2,128,179)
Finance	1,485,207	560,500	-	-	(924,707)		(924,707)
Community development	1,682,901	-	40,000	-	(1,642,901)		(1,642,901)
Police	10,021,992	447,552	666,752	-	(8,907,688)		(8,907,688)
Public works	11,665,946	762,796	953,146	3,244,961	(6,705,043)		(6,705,043)
Interest	287,036	-	-	-	(287,036)		(287,036)
<b>Total governmental activities</b>	<b>33,907,248</b>	<b>4,491,466</b>	<b>1,659,898</b>	<b>3,244,961</b>	<b>(24,510,923)</b>		<b>(24,510,923)</b>
<b>Business-type activities:</b>							
Water and sewer	7,044,675	6,127,359	-	-		\$ (917,316)	(917,316)
Golf course	1,506,117	1,401,722	-	-		(104,395)	(104,395)
Chestnut Grove cemetery	710,164	783,598	-	-		73,434	73,434
Downtown parking	72,623	-	-	-		(72,623)	(72,623)
<b>Total business-type activities</b>	<b>9,333,579</b>	<b>8,312,679</b>	<b>-</b>	<b>-</b>		<b>(1,020,900)</b>	<b>(1,020,900)</b>
<b>Total government</b>	<b>\$ 43,240,827</b>	<b>\$ 12,804,145</b>	<b>\$ 1,659,898</b>	<b>\$ 3,244,961</b>	<b>(24,510,923)</b>	<b>(1,020,900)</b>	<b>(25,531,823)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
General property					11,040,763	-	11,040,763
Business licenses					4,868,291	-	4,868,291
Transient occupancy					2,169,852	-	2,169,852
Local sales					1,871,189	-	1,871,189
Meals					2,173,102	-	2,173,102
Other local taxes					2,290,371	-	2,290,371
Revenues not restricted to specific programs					90,539	-	90,539
Intergovernmental, non-categorical aid					1,868,193	-	1,868,193
Use of money and property					1,027,152	325,396	1,352,548
Gain on sale of capital assets					14,927	-	14,927
Miscellaneous and lease income					708,184	603,232	1,311,416
Transfers					(174,904)	174,904	-
<b>Total general revenues and transfers</b>					<b>27,947,659</b>	<b>1,103,532</b>	<b>29,051,191</b>
Change in net position					3,436,736	82,632	3,519,368
Net position, July 1					77,795,181	31,949,277	109,744,458
<b>Net position, June 30</b>					<b>\$ 81,231,917</b>	<b>\$ 32,031,909</b>	<b>\$ 113,263,826</b>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-3  
Page 1

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 15,764,681	\$ 4,130,310	\$ 1,589,221	\$ 21,484,212
Cash and investments with fiscal agent	3,170	2,401,746	-	2,404,916
Receivables (net of allowance for doubtful accounts):				
Property taxes	5,522,592	-	-	5,522,592
Trade and other accounts	726,279	-	-	726,279
Accrued interest	124,415	14,767	1,119	140,301
Due from other governments	669,248	614,663	-	1,283,911
Inventories	144,317	-	-	144,317
Prepaid costs	32,894	25,000	-	57,894
Advances to other funds	113,985	-	-	113,985
<b>Total assets</b>	<b>\$ 23,101,581</b>	<b>\$ 7,186,486</b>	<b>\$ 1,590,340</b>	<b>\$ 31,878,407</b>

(Continued)

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



TOWN OF HERNDON, VIRGINIA

Exhibit A-3  
Page 2

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 984,751	\$ 415,676	\$ 26,647	\$ 1,427,074
Accrued payroll	411,109	-	-	411,109
Accrued liabilities - other	1,435,523	207,385	-	1,642,908
Unearned revenue	379,072	193,873	-	572,945
Customer deposits	1,650,309	-	-	1,650,309
<b>Total liabilities</b>	<b>4,860,764</b>	<b>816,934</b>	<b>26,647</b>	<b>5,704,345</b>
Deferred inflows of resources:				
Unavailable revenue - property taxes	5,511,231	-	-	5,511,231
<b>Total deferred inflows of resources</b>	<b>5,511,231</b>	<b>-</b>	<b>-</b>	<b>5,511,231</b>
Fund Balances:				
Nonspendable:				
Inventories	144,317	-	-	144,317
Prepaid costs	32,894	25,000	-	57,894
Loan to Cemetery Fund	113,985	-	-	113,985
Restricted:				
Bond proceeds not yet spent	3,170	2,401,746	-	2,404,916
Cemetery perpetual care	-	-	1,580,572	1,580,572
Committed:				
Revenue stabilization	1,000,000	-	-	1,000,000
Assigned:				
Operating materials, services and supplies	430,585	-	-	430,585
Capital equipment and vehicles	113,034	-	-	113,034
Future debt service costs	535,200	-	-	535,200
Future police radio system costs	210,000	-	-	210,000
Subsequent years' expenditures for:				
General Fund	1,062,376	-	-	1,062,376
Capital Projects Fund	-	3,942,806	-	3,942,806
Unassigned:				
General Fund	9,084,025	-	-	9,084,025
Other Governmental Funds	-	-	(16,879)	(16,879)
<b>Total fund balances</b>	<b>12,729,586</b>	<b>6,369,552</b>	<b>1,563,693</b>	<b>20,662,831</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 23,101,581</b>	<b>\$ 7,186,486</b>	<b>\$ 1,590,340</b>	<b>\$ 31,878,407</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, 2016**

Total Fund Balances - Governmental Funds		\$ 20,662,831
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.</p>		81,930,829
<p>Unavailable revenue represents amounts that were not available to fund current expenditures, and, therefore, is not reported as revenue in the governmental funds.</p>		34,576
<p>Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
<p style="padding-left: 20px;">Deferred outflows of resources for 2016 employer contributions</p> <p style="padding-left: 20px;">Pension related deferred inflows</p> <p style="padding-left: 20px;">Net pension liability</p>		<p>1,428,735</p> <p>(2,087,156)</p> <p>(4,587,262)</p>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
<p style="padding-left: 20px;">Bonds payable, including unamortized premiums and discounts</p> <p style="padding-left: 20px;">Notes payable</p> <p style="padding-left: 20px;">Other postemployment benefits</p> <p style="padding-left: 20px;">Compensated absences</p> <p style="padding-left: 20px;">Interest payable</p>	<p>(11,353,283)</p> <p>(83,158)</p> <p>(2,197,401)</p> <p>(2,399,334)</p> <p>(117,460)</p> <hr style="width: 100%;"/>	<p>(16,150,636)</p> <hr style="width: 100%;"/>
Net position of governmental activities		<p><u>\$ 81,231,917</u></p>

TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 11,029,513	\$ -	\$ -	\$ 11,029,513
Other local taxes	13,372,805	-	-	13,372,805
Permits, privilege fees and regulatory licenses	630,218	-	-	630,218
Fines and forfeitures	463,312	-	-	463,312
Use of money and property	978,087	32,054	17,011	1,027,152
Charges for services	3,488,475	-	-	3,488,475
Miscellaneous	464,255	243,929	-	708,184
Intergovernmental	4,481,237	2,291,815	-	6,773,052
<b>Total revenues</b>	<b>34,907,902</b>	<b>2,567,798</b>	<b>17,011</b>	<b>37,492,711</b>
Expenditures:				
Current:				
Legislative	654,549	-	-	654,549
Administration	2,582,772	-	-	2,582,772
Town attorney	476,792	-	-	476,792
Parks and recreation	4,136,245	-	-	4,136,245
Finance	1,427,806	-	-	1,427,806
Community development	1,598,172	-	-	1,598,172
Police	9,848,958	-	-	9,848,958
Public works	10,014,006	-	-	10,014,006
Grants	46,618	-	-	46,618
Capital outlay	-	2,758,843	537,579	3,296,422
Debt service:				
Principal	1,102,539	-	-	1,102,539
Interest and fiscal charges	313,792	-	-	313,792
<b>Total expenditures</b>	<b>32,202,249</b>	<b>2,758,843</b>	<b>537,579</b>	<b>35,498,671</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,705,653</b>	<b>(191,045)</b>	<b>(520,568)</b>	<b>1,994,040</b>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 14,927	\$ -	\$ -	\$ 14,927
Transfers in	-	912,000	562,921	1,474,921
Transfers out	(1,632,000)	-	(17,825)	(1,649,825)
Total other financing sources (uses), net	(1,617,073)	912,000	545,096	(159,977)
Net change in fund balances	1,088,580	720,955	24,528	1,834,063
Fund balances, July 1	11,641,006	5,648,597	1,539,165	18,828,768
Fund balances, June 30	\$ 12,729,586	\$ 6,369,552	\$ 1,563,693	\$ 20,662,831

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, 2016**

Net change in fund balances - total governmental funds	\$ 1,834,063
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	\$ 3,549,414
Less depreciation and amortization expense	<u>(3,619,217)</u>
Excess of capital outlay over depreciation and amortization	(69,803)
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	(96,396)
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	11,250
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	
Principal repayments:	
General obligation debt and notes payable	1,102,539
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	1,428,735
Pension expense	(371,433)
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	13,381
Compensated absences	(149,415)
Other postemployment benefits	(279,560)
Amortization of premiums and discounts	<u>13,375</u>
	<u>(402,219)</u>
Change in net position of governmental activities	<u>\$ 3,436,736</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 11,083,000	\$ 11,083,000	\$ 11,029,513	\$ (53,487)
Other local taxes	12,328,500	12,328,500	13,372,805	1,044,305
Permits, privilege fees and regulatory licenses	382,000	382,000	630,218	248,218
Fines and forfeitures	621,500	621,500	463,312	(158,188)
Use of money and property	793,000	793,000	978,087	185,087
Charges for services	3,475,500	3,475,500	3,488,475	12,975
Miscellaneous	30,000	30,000	464,255	434,255
Intergovernmental	4,684,000	4,684,000	4,481,237	(202,763)
<b>Total revenues</b>	<b>33,397,500</b>	<b>33,397,500</b>	<b>34,907,902</b>	<b>1,510,402</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	672,200	674,223	654,549	19,674
Administration	2,813,800	2,950,260	2,582,772	367,488
Town attorney	469,900	470,271	476,792	(6,521)
Parks and recreation	4,312,800	4,361,588	4,136,245	225,343
Finance	1,410,600	1,441,980	1,427,806	14,174
Community development	1,880,800	2,219,278	1,598,172	621,106
Police	9,556,700	9,893,037	9,848,958	44,079
Public works	10,678,800	11,270,286	10,014,006	1,256,280
Grants	-	30,999	46,618	(15,619)
<b>Debt service:</b>				
Principal	1,202,300	1,202,300	1,102,539	99,761
Interest and fiscal charges	359,300	359,300	313,792	45,508
<b>Total expenditures</b>	<b>33,357,200</b>	<b>34,873,522</b>	<b>32,202,249</b>	<b>2,671,273</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>40,300</b>	<b>(1,476,022)</b>	<b>2,705,653</b>	<b>4,181,675</b>

(Continued)

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 24,000	\$ 24,000	\$ 14,927	\$ (9,073)
Capital lease proceeds	520,000	520,000	-	(520,000)
Transfers out	(1,361,300)	(1,361,300)	(1,632,000)	(270,700)
Total other financing uses, net	(817,300)	(817,300)	(1,617,073)	(799,773)
Net change in fund balance	\$ (777,000)	\$ (2,293,322)	\$ 1,088,580	\$ 3,381,902

TOWN OF HERNDON, VIRGINIA

Exhibit A-8

Page 1

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 June 30, 2016

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and investments	\$ 11,592,394	\$ 924,565	\$ 681,988	\$ 224,940	\$ 13,423,887
Receivables (net of allowance for doubtful accounts):					
Trade and other accounts	1,196,661	-	-	12,714	1,209,375
Accrued interest	66,975	8,358	6,603	14,436	96,372
Inventories	6,347	32,426	-	-	38,773
Prepaid costs	-	880	-	1,000	1,880
Current notes receivable (net of allowance for doubtful accounts)	-	-	-	30,184	30,184
<b>Total current assets</b>	<b>12,862,377</b>	<b>966,229</b>	<b>688,591</b>	<b>283,274</b>	<b>14,800,471</b>
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	16,292	16,292
Land held for sale	-	-	-	3,469,456	3,469,456
Capital assets:					
Land	200,000	1,621,574	718,500	966,109	3,506,183
Buildings	-	2,222,015	1,263,020	-	3,485,035
Improvements other than buildings	28,768,938	3,157,597	1,444,889	460,045	33,831,469
Machinery and equipment	1,360,363	687,549	134,911	-	2,182,823
Furniture and fixtures	194,919	-	6,720	-	201,639
Intangibles	265,608	-	-	-	265,608
Construction in progress	275,450	17,520	-	-	292,970
Less accumulated depreciation and amortization	(18,760,150)	(4,219,389)	(1,312,021)	(446,893)	(24,738,453)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>12,305,128</b>	<b>3,486,866</b>	<b>2,256,019</b>	<b>979,261</b>	<b>19,027,274</b>
<b>Total noncurrent assets</b>	<b>12,305,128</b>	<b>3,486,866</b>	<b>2,256,019</b>	<b>4,465,009</b>	<b>22,513,022</b>
<b>Total assets</b>	<b>25,167,505</b>	<b>4,453,095</b>	<b>2,944,610</b>	<b>4,748,283</b>	<b>37,313,493</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	-	-	101,437	-	101,437
Pension related deferred outflows	70,521	51,919	22,460	-	144,900
<b>Total deferred outflows of resources</b>	<b>70,521</b>	<b>51,919</b>	<b>123,897</b>	<b>-</b>	<b>246,337</b>

(Continued)



TOWN OF HERNDON, VIRGINIA

Exhibit A-8  
Page 2

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2016

	Business-type Activities - Enterprise Funds				
	Major Funds				Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 1,342,814	\$ 16,635	\$ 7,739	\$ 7,628	\$ 1,374,816
Accrued payroll	15,488	15,748	5,592	-	36,828
Accrued liabilities - other	163,520	17,977	17,019	-	198,516
Compensated absences	13,057	9,095	3,666	-	25,818
Unearned revenue	37,697	-	-	-	37,697
Customer deposits	174,908	-	-	-	174,908
Advances from other funds	-	-	113,985	-	113,985
Current general obligation bonds payable	-	100,501	207,234	-	307,735
Total current liabilities	1,747,484	159,956	355,235	7,628	2,270,303
Noncurrent Liabilities:					
Compensated absences	98,904	145,352	50,672	-	294,928
Other postemployment benefits	154,896	89,357	39,791	-	284,044
Net pension liability	178,701	172,535	69,145	-	420,381
Long-term general obligation bonds payable, net	-	745,923	1,301,727	-	2,047,650
Total noncurrent liabilities	432,501	1,153,167	1,461,335	-	3,047,003
Total liabilities	2,179,985	1,313,123	1,816,570	7,628	5,317,306
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	95,359	82,623	32,633	-	210,615
<b>NET POSITION</b>					
Net Position:					
Net investment in capital assets	12,305,128	2,640,442	848,495	979,261	16,773,326
Unrestricted	10,657,554	468,826	370,809	3,761,394	15,258,583
Total net position	\$ 22,962,682	\$ 3,109,268	\$ 1,219,304	\$ 4,740,655	\$ 32,031,909

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-9**

**Page 1**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2016**

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Operating revenues:					
Sale of water	\$ 2,436,439	\$ -	\$ -	\$ -	\$ 2,436,439
Sewer service charges	3,132,996	-	-	-	3,132,996
Late payment charges	63,234	-	-	-	63,234
Sale of commodities	17,520	-	-	-	17,520
Rents and leases	402,588	44,490	-	-	447,078
Greens fees	-	981,038	-	-	981,038
Golf cart revenue	-	283,140	-	-	283,140
Golf pro shop sales	-	64,397	-	-	64,397
Driving range fees	-	73,147	-	-	73,147
Cemetery sites	-	-	429,208	-	429,208
Interment services	-	-	202,235	-	202,235
Merchandise sales	-	-	152,155	-	152,155
Miscellaneous	11,733	31,014	46,004	67,403	156,154
<b>Total operating revenues</b>	<b>6,064,510</b>	<b>1,477,226</b>	<b>829,602</b>	<b>67,403</b>	<b>8,438,741</b>
Operating expenses:					
Finance	296,691	-	-	-	296,691
Water main maintenance	1,720,990	-	-	-	1,720,990
Sewer service charge	3,661,644	-	-	-	3,661,644
Contractual services	509,700	-	-	-	509,700
Golf course operations	-	663,701	-	-	663,701
Golf course club house	-	515,477	-	-	515,477
Cemetery operations	-	-	517,462	-	517,462
Downtown parking	-	-	-	69,061	69,061
Nondepartmental:					
Depreciation and amortization	721,869	234,737	108,149	3,562	1,068,317
Miscellaneous	52,621	59,171	22,511	-	134,303
<b>Total operating expenses</b>	<b>6,963,515</b>	<b>1,473,086</b>	<b>648,122</b>	<b>72,623</b>	<b>9,157,346</b>
<b>Operating income (loss)</b>	<b>(899,005)</b>	<b>4,140</b>	<b>181,480</b>	<b>(5,220)</b>	<b>(718,605)</b>

(Continued)

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-9  
Page 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Nonoperating revenues (expenses):					
Investment earnings, net	\$ 254,291	\$ 25,323	\$ 10,250	\$ 35,532	\$ 325,396
Availability fees	477,170	-	-	-	477,170
Interest expense	-	(33,031)	(62,042)	-	(95,073)
Loss on disposal of capital assets	(81,160)	-	-	-	(81,160)
Total nonoperating revenues (expenses), net	650,301	(7,708)	(51,792)	35,532	626,333
Income (loss) before capital contributions and transfers	(248,704)	(3,568)	129,688	30,312	(92,272)
Transfers in	-	-	17,825	200,000	217,825
Transfers out	-	-	(42,921)	-	(42,921)
Change in net position	(248,704)	(3,568)	104,592	230,312	82,632
Total net position, July 1	23,211,386	3,112,836	1,114,712	4,510,343	31,949,277
Total net position, June 30	\$ 22,962,682	\$ 3,109,268	\$ 1,219,304	\$ 4,740,655	\$ 32,031,909

TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 1

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
Operating Activities:					
Receipts from customers	\$ 6,201,267	\$ 1,477,224	\$ 829,601	\$ 67,403	\$ 8,575,495
Payments to suppliers for goods and services	(4,891,472)	(372,016)	(194,956)	(85,824)	(5,544,268)
Payments to employees for services	(1,146,108)	(901,335)	(363,664)	-	(2,411,107)
<b>Net cash provided by (used in) operating activities</b>	163,687	203,873	270,981	(18,421)	620,120
Noncapital Financing Activities:					
Transfers in from other funds	-	-	17,825	200,000	217,825
Transfers out to other funds	-	-	(42,921)	-	(42,921)
Repayment of advances from other funds	-	-	(12,665)	-	(12,665)
Interest paid on advances from other funds	-	-	(5,383)	-	(5,383)
<b>Net cash provided by (used in) noncapital financing activities</b>	-	-	(43,144)	200,000	156,856
Capital and Related Financing Activities:					
Water and sewer tap fees/contributions from local sources	477,170	-	-	-	477,170
Acquisition and construction of capital assets	(2,795,087)	(89,784)	-	-	(2,884,871)
Principal paid on bonds	-	(96,562)	(146,638)	-	(243,200)
Interest paid on bonds	-	(34,538)	(42,140)	-	(76,678)
<b>Net cash used in capital and related financing activities</b>	(2,317,917)	(220,884)	(188,778)	-	(2,727,579)
Investing Activities:					
Purchase of land held for sale	-	-	-	(3,469,456)	(3,469,456)
Principal received on note receivable	-	-	-	18,327	18,327
Interest received on investment securities	255,738	20,506	4,165	36,535	316,944
<b>Net cash provided by (used in) investing activities</b>	255,738	20,506	4,165	(3,414,594)	(3,134,185)
<b>Net increase (decrease) in cash, cash equivalents and investments</b>	(1,898,492)	3,495	43,224	(3,233,015)	(5,084,788)
Cash, Cash Equivalents and Investments:					
Beginning	13,490,886	921,070	638,764	3,457,955	18,508,675
Ending	\$ 11,592,394	\$ 924,565	\$ 681,988	\$ 224,940	\$ 13,423,887

TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 2

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking	Totals
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (899,005)	\$ 4,140	\$ 181,480	\$ (5,220)	\$ (718,605)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	721,869	234,737	108,149	3,562	1,068,317
Pension expense net of employer contributions	(53,642)	(37,294)	(16,685)	-	(107,621)
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	115,476	1,173	398.00	-	117,047
Inventories	10,360	(4,129)	-	-	6,231
Prepaid costs and other assets	-	(880)	254	-	(626)
Increase (decrease) in:					
Accounts payable, accrued liabilities and compensated absences	285,044	6,126	(2,615)	(16,763)	271,792
Deposits	(16,415)	-	-	-	(16,415)
Net cash provided by (used in) operating activities	\$ 163,687	\$ 203,873	\$ 270,981	\$ (18,421)	\$ 620,120

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 June 30, 2016  
 (With Comparative Amounts for 2015)

	Pension Trust Fund Police Supplemental Retirement Pension Trust Fund	
	2016	2015
<b>ASSETS</b>		
Mutual funds	\$ 2,819,507	\$ 2,776,491
Accounts Receivable	5,506	-
Total assets	<u>2,825,013</u>	<u>2,776,491</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ 2,825,013</u>	<u>\$ 2,776,491</u>

TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 Year Ended June 30, 2016  
 (With Comparative Amounts for 2015)

	Pension Trust Fund Police Supplemental Retirement Pension Trust Fund	
	2016	2015
<hr/>		
Additions:		
Employer contributions	\$ 144,547	\$ 136,319
Total contributions	144,547	136,319
Investment income:		
Net decrease in the fair market value of investments	(2,597)	137,648
Total additions, net	141,950	273,967
Deductions:		
Benefit payments	93,428	555,203
Change in net position	48,522	(281,236)
Net position, July 1	2,776,491	3,057,727
Net position, June 30	\$ 2,825,013	\$ 2,776,491

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**A. The Financial Reporting Entity**

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

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

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

*Government-Wide Financial Statements:*

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

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



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

*Fund Financial Statements:*

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

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

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

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

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

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

*Governmental Fund Financial Statements:* Governmental funds are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The town considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within 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.

The town reports the following major governmental funds:

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

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

The town reports the following major proprietary funds:

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

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

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

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

Additionally, the town reports the following fund types:

The purpose of the *Police Supplemental Retirement Pension Trust 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**D. Budgets and Budgetary Accounting**

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

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

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. This resolution appropriates all budgeted amounts. The Appropriations Resolution places legal restrictions on expenditures for each department or category level. The Town Manager is authorized to transfer budgeted amounts of up to \$30,000. Transfers exceeding \$30,000 must be authorized by the Town Council. All increases or decreases to the approved budget must be approved by the Town Council before being made. During the year, the Town Council approves additional appropriations, as needed, in the form of Budget Amendments. During the year ended June 30, 2016, budget revisions to the general fund were made, which resulted in a \$1,516,322 increase in budgeted expenditures.

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

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

**E. Deposits and Investments**

Cash resources of the governmental and proprietary funds are combined to form a pool of deposits and investments to maximize interest earnings potential. The pool consists primarily of certificates of deposit, repurchase agreements, government securities, and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**F. Fair Value Measurements**

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

**G. Receivables and Payables**

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

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

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

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

The town levies real estate taxes as of January 1 on all real property in the town on a calendar year basis at a rate enacted by Town Council. The levies are based on the assessed value of property as determined by the Director of Real Estate Assessments of Fairfax County. All property is assessed at 100 percent of appraised value and reassessed each year as of January 1. Real estate taxes are collected in equal installments due July 28 and December 5. Lien dates are 190 days after the due date. The tax rate during 2016 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 2016.

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

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**H. 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.

**I. Prepaid Items**

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

**J. Restricted Cash**

In accordance with the agreements resulting in the issuance of debt, the General Fund and Capital Projects Fund 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.

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

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The town has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported on 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. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second consists of pension contributions subsequent to the measurement date. These will be applied to the net pension liability in the next fiscal year.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The town has four types of items that qualify for reporting in this category. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents taxes billed and, in some cases, collected before the period they are eligible for use. The third is the net difference between projected and actual earnings on pension plan investments. The fourth represents differences between expected and actual experience in the pension plan. These differences will be recognized in pension expense over a closed five year period.

**L. Capital Assets**

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

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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**L. Capital Assets (Continued)**

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

**M. Land Held for Sale**

Property held for sale is valued at the lower of cost or market. These assets are evaluated on an annual basis for impairment and a loss is recognized if the carrying amount exceeds the fair value. In May 2015, the Town Council entered into a contract to purchase 1.67 acres of land from a private owner. The sale was completed in September, 2015 with a purchase price of \$3,459,000. The property was leased through December 2015, when the lease expired and was not renewed. Total rental income for 2016 was \$40,500.

**N. Compensated Absences**

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

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

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

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**O. Long-term Obligations**

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

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

**P. Fund Equity**

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

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



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**P. Fund Equity (Continued)**

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.

**Q. 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 or 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.

**R. 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**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**

**Investment Policy:**

The State Treasurer's Local Government Investment Pool (LGIP), a 2a-7 like pool, 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.

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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Investments (Continued)**

**Investment Policy (Continued):**

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.

**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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Interest Rate Risk (Continued):

As of June 30, 2016, the town's investments consisted of the following:

Investment Type	Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 3,313,838	AAAm	0.08
Money Market	2,411,485	N/A	N/A
Federal Agency Bonds and Notes	21,087,503	AA- to AAA	0.50
Corporate Notes	1,027,960	AA+	1.43
Mutual Funds	2,819,507	Various	N/A
Total investments	<u>\$ 30,660,293</u>		

\* - Average Maturity in Years

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2016, the portion of the town's portfolio that exceed 5% of the total portfolio are as follows:

LGIP	11%
Money Market	8%
Federal Agency Bonds and Notes	69%
Mutual Funds	9%

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Fair Value:

The town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The town has the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds – Police Retirement Plan				
DFA Emerging Markets Core Equity I	\$ 13,396	\$ -	\$ -	\$ 13,396
DFA International Core Equity I	57,945	-	-	57,945
DFA US Core Equity 2 I	75,196	-	-	75,196
Federated Capital Preservation	19,869	-	-	19,869
I-Shares I-Boxx \$ High Yield Corporate Bd	23,506	-	-	23,506
Vanguard Total Bond Market Index Adm	86,668	-	-	86,668
Vanguard Target Retirement 2055 Inv	5,293	-	-	5,293
Vanguard Target Retirement 2050 Inv	61,812	-	-	61,812
Vanguard Target Retirement 2040 Inv	419,139	-	-	419,139
Vanguard REIT Index Adm	14,814	-	-	14,814
Vanguard Growth Index Adm	149,379	-	-	149,379
Vanguard Mid Cap Index Adm	23,821	-	-	23,821
Vanguard S and P 500 ETF	227,203	-	-	227,203
Vanguard Target Retirement 2030 Inv	238,641	-	-	238,641
Vanguard Target Retirement Income Inv	171	-	-	171
Vanguard Target Retirement 2045 Inv	116,843	-	-	116,843
Vanguard Target Retirement 2035 Inv	500,025	-	-	500,025
Vanguard Target Retirement 2025 Inv	546,132	-	-	546,132
Vanguard Target Retirement 2020	177,312	-	-	177,312
Other	62,342	-	-	62,342
Debt securities:				
Federal Agency Bonds and Notes	-	21,087,503	-	21,087,503
Corporate bonds	-	1,027,960	-	1,027,960
	<u>\$ 2,819,507</u>	<u>\$ 22,115,463</u>	<u>\$ -</u>	<u>\$ 24,934,970</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

Total assets of the Police Retirement plan also include \$62,342 of forfeiture funds not yet invested in the plan.

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

Deposits and investments:	
Deposits	\$ 9,472,229
Investments	27,840,786
Investments held in trust	2,819,507
	<u>\$ 40,132,522</u>
Statement of Net Position:	
Cash and investments	\$ 34,908,099
Cash and investments with fiscal agent	2,404,916
Fiduciary fund cash and investments	2,819,507
	<u>\$ 40,132,522</u>

Cash with fiscal agent:

Restricted investments consist of unspent bond proceeds related to bond issuances.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Receivables are as follows:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Accounts receivable:			
Property tax	\$ 5,526,759	\$ -	\$ 5,526,759
Meal tax	187,404	-	187,404
Transient occupancy tax	232,966	-	232,966
Fines and forfeitures	94,480	-	94,480
Trade and other accounts	211,429	1,277,315	1,488,744
Gross receivables	6,253,038	1,277,315	7,530,353
Less: allowance for uncollectible	(4,167)	(67,940)	(72,107)
Receivables, net	<u>\$ 6,248,871</u>	<u>\$ 1,209,375</u>	<u>\$ 7,458,246</u>

Due from other governments:			
Federal government	\$ 23,158	\$ -	\$ 23,158
Commonwealth of Virginia	616,496	-	616,496
Counties	614,980	-	614,980
Northern Virginia Cigarette Tax Board	29,277	-	29,277
Total due from other governments	<u>\$ 1,283,911</u>	<u>\$ -</u>	<u>\$ 1,283,911</u>

**Note 4. Interfund Receivables, Payables, and Transfers**

Interfund balances are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: Chestnut Grove Cemetery	\$ 113,985
	Total	<u>\$ 113,985</u>

Interfund receivables consist of interfund loans.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

A summary of interfund transfer activity is presented as follows:

	General Fund	Nonmajor Governmental Funds	Chestnut Grove Cemetery Fund	<b>Total Transferred In</b>
Transferred to Fund:				
Primary government:				
Governmental activities:				
Capital Projects Fund	\$ 912,000	\$ -	\$ -	\$ 912,000
Nonmajor Governmental Funds	520,000	-	42,921	562,921
Business-type activities:				
Chestnut Grove Cemetery Fund	-	17,825	-	17,825
Downtown Parking Fund	200,000	-	-	200,000
<b>Total Transferred Out</b>	<b>\$ 1,632,000</b>	<b>\$ 17,825</b>	<b>\$ 42,921</b>	<b>\$ 1,692,746</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 5. Notes Receivable**

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

4.715% note, due in annual installments of \$2,036, plus interest through March 2017	\$ 2,036
4.27% note, due in annual installments of \$16,291, plus interest through October 2017	94,860
4.515% note, due in annual installments of \$11,858, plus interest through October 2023	<u>32,583</u>
	129,479
Less current maturities	(30,184)
Less allowance for uncollectible accounts	<u>(83,003)</u>
Long-term portion, net	<u>\$ 16,292</u>



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 6. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital asset, not depreciated:				
Land	\$ 24,635,817	\$ 53,900	\$ -	\$ 24,689,717
Easements	3,498	5,086	-	8,584
Construction in progress	922,164	2,043,451	(1,610,845)	1,354,770
<b>Total capital assets not depreciated</b>	<b>25,561,479</b>	<b>2,102,437</b>	<b>(1,610,845)</b>	<b>26,053,071</b>
Capital assets, depreciated:				
Infrastructure	78,680,324	3,490,274	-	82,170,598
Buildings	40,936,252	240,535	-	41,176,787
Improvements other than buildings	13,751,931	-	(673,533)	13,078,398
Machinery and equipment	9,484,182	1,184,837	(610,042)	10,058,977
Intangibles	1,212,420	45,319	(41,878)	1,215,861
Furniture and fixtures	2,086,659	117,515	(1,235,339)	968,835
<b>Total capital assets</b>	<b>146,151,768</b>	<b>5,078,480</b>	<b>(2,560,792)</b>	<b>148,669,456</b>
Less accumulated depreciation:				
Infrastructure	(59,042,048)	(2,154,415)	-	(61,196,463)
Buildings	(15,573,120)	(1,075,185)	-	(16,648,305)
Improvements other than buildings	(7,127,327)	(675,608)	-	(7,802,935)
Machinery and equipment	(5,742,232)	(608,271)	588,577	(5,761,926)
Intangibles	(1,086,402)	(37,868)	41,878	(1,082,392)
Furniture and fixtures	(1,045,090)	(38,392)	783,805	(299,677)
<b>Total accumulated depreciation</b>	<b>(89,616,219)</b>	<b>(4,589,739)</b>	<b>1,414,260</b>	<b>(92,791,698)</b>
<b>Total capital assets, depreciated, net</b>	<b>56,535,549</b>	<b>488,741</b>	<b>(1,146,532)</b>	<b>55,877,758</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 82,097,028</b>	<b>\$ 2,591,178</b>	<b>\$ (2,757,377)</b>	<b>\$ 81,930,829</b>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital asset, not depreciated:				
Land	\$ 3,504,033	\$ 2,150	\$ -	\$ 3,506,183
Construction in progress	117,169	1,291,264	(1,115,463)	292,970
	<hr/>			<hr/>
Total capital assets not depreciated	3,621,202	1,293,414	(1,115,463)	3,799,153
	<hr/>			<hr/>
Capital assets, depreciated:				
Buildings	3,485,035	-	-	3,485,035
Improvements other than buildings	31,299,440	2,532,029	-	33,831,469
Machinery and equipment	2,008,513	174,310	-	2,182,823
Furniture and fixtures	201,639	-	-	201,639
Intangibles	265,608	-	-	265,608
	<hr/>			<hr/>
Total capital assets	37,260,235	2,706,339	-	39,966,574
	<hr/>			<hr/>
Less accumulated depreciation:				
Buildings	(1,641,941)	(105,410)	7,131	(1,740,220)
Improvements other than buildings	(19,897,996)	(910,556)	-	(20,808,552)
Machinery and equipment	(1,687,567)	(58,798)	564	(1,745,801)
Furniture and fixtures	(199,987)	(336)	-	(200,323)
Intangibles	(242,643)	(2,224)	1,310	(243,557)
	<hr/>			<hr/>
Total accumulated depreciation	(23,670,134)	(1,077,324)	9,005	(24,738,453)
	<hr/>			<hr/>
Total capital assets, depreciated, net	13,590,101	1,629,015	9,005	15,228,121
	<hr/>			<hr/>
Business-type activities capital assets, net	\$ 17,211,303	\$ 2,922,429	\$ (1,106,458)	\$ 19,027,274
	<hr/>			<hr/>

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Legislative	\$ 38,772
Administration	193,061
Parks and Recreation	801,515
Finance	41,804
Community Development	38,780
Police	447,411
Public Works	1,964,959
Town Attorney	<u>92,915</u>
	<u>\$ 3,619,217</u>
Business-type activities:	
Water and Sewer	\$ 721,869
Golf Course	234,737
Chestnut Grove Cemetery	108,149
Downtown Parking Enterprise	<u>3,562</u>
	<u>\$ 1,068,317</u>

**Note 7. Unavailable/Unearned Revenue**

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property tax receivable	\$ 34,576	\$ -
Advance billing of 2016-2017 taxes	5,476,655	5,476,655
Intergovernmental	-	379,072
Other	<u>-</u>	<u>193,873</u>
	<u>\$ 5,511,231</u>	<u>\$ 6,049,600</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 8. Long-Term Debt**

**Primary Government**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation bonds	\$ 12,359,712	\$ -	\$ 1,098,300	\$ 11,261,412	\$ 1,086,265
Notes Payable	87,397	-	4,239	83,158	4,364
Plus deferred amount for bond premiums	106,589	-	14,718	91,871	-
Less deferred amount for bond discounts	(1,343)	-	(1,343)	-	-
<b>Total</b>	<b>12,552,355</b>	<b>-</b>	<b>1,115,914</b>	<b>11,436,441</b>	<b>1,090,629</b>
Compensated absences	2,249,919	2,095,763	1,946,348	2,399,334	630,904
	<b>\$ 14,802,274</b>	<b>\$ 2,095,763</b>	<b>\$ 3,062,262</b>	<b>\$ 13,835,775</b>	<b>\$ 1,721,533</b>
<b>Business-type Activities:</b>					
Serial bonds	\$ 2,555,288	\$ -	\$ 243,200	\$ 2,312,088	\$ 307,735
Plus deferred amount for Bond premiums	54,200	-	10,903	43,297	-
Compensated absences	305,217	184,075	168,546	320,746	25,818
	<b>\$ 2,914,705</b>	<b>\$ 184,075</b>	<b>\$ 422,649</b>	<b>\$ 2,676,131</b>	<b>\$ 333,553</b>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,090,629	\$ 281,026	\$ 307,735	\$ 66,682	\$ 1,398,364	\$ 347,708
2018	1,182,437	250,893	258,056	55,574	1,440,493	306,467
2019	1,212,912	219,993	266,713	47,234	1,479,625	267,227
2020	1,246,007	188,133	273,754	38,574	1,519,761	226,707
2021	1,280,847	156,898	282,555	30,715	1,563,402	187,613
2022-2026	4,511,650	381,673	733,118	76,070	5,244,768	457,743
2027-2031	817,801	61,780	190,157	11,055	1,007,958	72,835
2032-2036	2,287	34	-	-	2,287	34
	<u>\$ 11,344,570</u>	<u>\$ 1,540,430</u>	<u>\$ 2,312,088</u>	<u>\$ 325,904</u>	<u>\$ 13,656,658</u>	<u>\$ 1,886,334</u>

**Details of Long-term Indebtedness**

	Interest Rates	Date Issued	Maturity Date	Amount Original Issue	Governmental Activities	Business-Type Activities
General Obligation Public Improvement Bonds	4.00%	2007	2017	\$ 2,260,000	\$ 23,230	\$ 81,770
General Obligation Build America and Recovery Zone Bonds	3.00 – 6.07	2010	2030	2,875,000	1,823,050	386,950
General Obligation Public Improvement and Refunding Bonds	3.25 – 4.00	2010	2021	3,015,000	960,809	679,191
VRA Loan Note Payable	2.93	2011	2031	100,000	83,158	-
General Obligation Public Improvement and Refunding Bonds	2.15	2012	2023	4,999,000	4,506,500	-
General Obligation Public Improvement and Refunding Bonds	2.10	2014	2026	5,221,000	3,947,823	1,164,177
					<u>\$ 11,344,570</u>	<u>\$ 2,312,088</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 9. Defined Benefit Pension Plan**

**Plan Description**

All full-time, salaried permanent employees of the Town of Herndon, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan 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. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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 is as follows:

**Plan 1** – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% 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 5.00% member contribution, but all employees will be paying the full 5.00% 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.
- **Normal Retirement Age** – Normal retirement is age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Earliest unreduced retirement eligibility is age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Earliest reduced retirement eligibility is age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** – For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

**Plan 2** - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. 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.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% 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 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Plan 2 (Continued)**

- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

**Hybrid Retirement Plan** – 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. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and 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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Retirement Contributions** – A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of 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.
  - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Calculating the Benefit –**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
  - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Reduced Retirement Eligibility –**
  - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
  - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage –** 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. 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.

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Purchase of Prior Service** – As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

**Employees Covered by Benefit Terms**

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	95
Inactive members:	
Vested inactive members	28
Non-vested inactive members	84
Inactive members active elsewhere in VRS	39
Total inactive members	151
Active members	239
Total covered employees	485

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% 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 political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 7.76% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,573,635 and \$1,564,778 for the years ended June 30, 2016 and June 30, 2015, respectively.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees - Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2014 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:

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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)%
Total	100.00 %		<u>5.83 %</u>
	Inflation		<u>2.50 %</u>
	Expected arithmetic nominal return		<u>8.33 %</u>

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision 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.

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2014	\$ 67,832,645	\$ 63,213,171	\$ 4,619,474
Changes for the year:			
Service cost	1,780,620	-	1,780,620
Interest	4,664,075	-	4,664,075
Differences between expected and actual experience	(818,369)	-	(818,369)
Contributions – employer	-	1,562,827	(1,562,827)
Contributions – employee	-	807,614	(807,614)
Net investment income	-	2,907,557	(2,907,557)
Benefit payments, including refunds of employee contributions	(2,406,002)	(2,406,002)	-
Administrative expenses	-	(39,225)	39,225
Other changes	-	(616)	616
Net changes	3,220,324	2,832,155	388,169
Balances at June 30, 2015	\$ 71,052,969	\$ 66,045,326	\$ 5,007,643

(Continued)

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability (asset)	\$ 14,633,757	\$ 5,007,643	\$ (2,993,128)

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$406,766. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 628,051
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,669,720
Employer contributions subsequent to the measurement date	1,573,635	-
Total	\$ 1,573,635	\$ 2,297,771



**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

The \$1,573,635 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (847,873)
2018	(847,873)
2019	(847,874)
2020	245,849
	<u>\$ (2,297,770)</u>

**Payables to the Pension Plan**

At June 30, 2016, approximately \$201,741 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

**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*.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Police Retirement Plan: (Continued)**

**Plan Description (Continued)**

The town's payroll for employees covered by the Plan for the year ended June 30, 2016 was \$5,777,563, which was 29% of the total town payroll of \$19,811,929. There were 82 participants in the Plan at June 30, 2016. 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 \$144,547 for the fiscal year ended June 30, 2016. Data concerning the value of vested and nonvested benefits as of June 30, 2016 is as follows:

Vested benefits	\$	2,701,758
Nonvested benefits		117,749
	\$	2,819,507

**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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Significant Accounting Policies (Continued)**

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

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

**Concentrations**

At June 30, 2016, Plan assets were comprised of mutual funds investing in stocks, bonds, guaranteed investment contracts, and U. S. government securities. Single investments representing more than 5% of the Plan's net assets as of June 30, 2016 are separately identified in the fair value measurements table in Note 2.

**Note 11. Other Postemployment Benefits**

**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.

**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.

**Annual OPEB Cost and Net OPEB Obligation**

In the July 2014 actuarial valuation performed of postemployment benefits, the pay-as-you-go cost for OPEB benefits for the town's plan is \$286,400 and the annual benefit cost is \$599,700. The percentage of annual OPEB cost contributed is 47.76%.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

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.

The town is required to contribute the ARC of the employer, an amount actuarially determined. 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)	\$		603,300
Interest on net OPEB obligation			86,700
Adjustment to annual required contribution			(90,300)
Annual OPEB cost			599,700
Contributions made			(286,400)
Increase in net OPEB obligation			313,300
Net OPEB obligation, beginning of year			2,168,145
Net OPEB obligation, end of year	\$		2,481,445

**Trend Information**

Three-year trend information is as follows:

Fiscal Year End	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net Pension Obligation
June 30, 2016	\$ 599,700	47.76%	\$ 2,481,445
June 30, 2015	\$ 578,600	41.81%	\$ 2,168,145
June 30, 2014	\$ 564,100	36.00%	\$ 1,831,445

**Funding Status and Funding Progress**

As of July 1, 2014, the most recent 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. Covered payroll was \$14,605,600 and the ratio of UAAL to covered payroll was 42.90%.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Funding Status and Funding Progress (Continued)**

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.

**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.

**TOWN OF HERNDON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 12. Risk Management**

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

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

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

**Note 13. Commitments and Contingencies**

**Federal and State-Assisted Programs**

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

**Note 14. Environmental Protection Agency Investigation**

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, 2016 and no indication of potential town liability has been determined.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 15. Rentals Under Operating Leases**

The town has twelve leases to telecommunication companies for the placement of antennas on the town's water tanks. Lease terms vary by lessee and expire at various dates through August 31, 2029. Total rental income for 2016 was \$402,588.

2017	\$	387,380
2018		399,002
2019		367,066
2020		378,077
2021		385,962
Thereafter		<u>1,882,016</u>
Total	\$	<u>3,799,503</u>

**Note 16. New Accounting Standards**

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 16. New Accounting Standards (Continued)**

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.



**TOWN OF HERNDON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 16. New Accounting Standards (Continued)**

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

Management has not yet evaluated the effects, if any, of adopting these standards.



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**TOWN OF HERNDON, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

**Schedule of Funding Progress - Other Postemployment Benefits**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL 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

**Schedule of Employer Contributions - Other Postemployment Benefits**

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2016	\$ 603,300	47.47 %
2015	581,500	41.60
2014	566,500	29.57

## TOWN OF HERNDON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Year Ended June 30, 2016

	Plan Year	
	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 1,780,620	\$ 1,821,327
Interest on total pension liability	4,664,075	4,385,197
Benefit payments, including refunds of employee contributions	(2,406,002)	(2,039,114)
Difference between actual and expected experience	(818,369)	-
Net change in total pension liability	3,220,324	4,167,410
<b>Total pension liability (beginning)</b>	67,832,645	63,665,235
<b>Total pension liability (ending)</b>	<u>\$ 71,052,969</u>	<u>\$ 67,832,645</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 1,562,827	\$ 1,603,624
Contributions - employee	807,614	832,188
Net investment income	2,907,557	8,612,262
Benefit payments, including refunds of employee contributions	(2,406,002)	(2,039,114)
Administrative expenses	(39,225)	(45,658)
Other	(616)	454
Net change in plan fiduciary net position	2,832,155	8,963,756
<b>Plan fiduciary net position - beginning</b>	63,213,171	54,249,415
<b>Plan fiduciary net position - ending</b>	<u>\$ 66,045,326</u>	<u>\$ 63,213,171</u>
<b>Net pension liability - ending</b>	<u>\$ 5,007,643</u>	<u>4,619,474</u>
Plan fiduciary net position as a percentage of total pension liability	<u>92.95%</u>	<u>93.19%</u>
Covered employee payroll	<u>\$ 15,901,012</u>	<u>\$ 16,413,756</u>
Net pension liability as a percentage of covered employee payroll	<u>31.49%</u>	<u>28.14%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 June 30, 2016

<b>Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2016	\$ 1,573,635	\$ 1,573,635	\$ -	\$ 16,563,441	9.50 %
2015	1,564,778	1,564,778	-	15,901,012	9.84

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

## TOWN OF HERNDON, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

#### Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

#### Note 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 ending June 30, 2012:

##### Largest 10 – Non-LEOS:

- 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

##### Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

- 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

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

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



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**OTHER 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, 2016**

**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 investments	\$ 1,579,453	\$ 9,768	\$ 1,589,221
Accrued interest	1,119	-	1,119
Total assets	<u>\$ 1,580,572</u>	<u>\$ 9,768</u>	<u>\$ 1,590,340</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 26,647	\$ 26,647
Fund balances:			
Restricted:			
Cemetery perpetual care	1,580,572	-	1,580,572
Unassigned	-	(16,879)	(16,879)
Total fund balances	<u>1,580,572</u>	<u>(16,879)</u>	<u>1,563,693</u>
Total liabilities and fund balances	<u>\$ 1,580,572</u>	<u>\$ 9,768</u>	<u>\$ 1,590,340</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>			
Revenue from local sources:			
Use of money and property	\$ 17,011	\$ -	\$ 17,011
Total revenues	17,011	-	17,011
<b>Expenditures:</b>			
Capital outlay	-	537,579	537,579
Revenues Positive (Negative) expenditures	17,011	(537,579)	(520,568)
<b>Other financing sources (uses):</b>			
Transfers in	42,921	520,000	562,921
Transfers out	(17,825)	-	(17,825)
Total other financing sources, net	25,096	520,000	545,096
Net change in fund balances	42,107	(17,579)	24,528
Fund balances, July 1	1,538,465	700	1,539,165
Fund balances, June 30	\$ 1,580,572	\$ (16,879)	\$ 1,563,693

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-3**

**GENERAL FUND  
BALANCE SHEET  
June 30, 2016  
(With Comparative Amounts for 2015)**

	2016	2015
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 15,764,681	\$ 15,071,456
Cash and investments with fiscal agent	3,170	3,716
Receivables (net of allowance for doubtful accounts):		
Property taxes	5,522,592	5,444,735
Accounts and other services	726,279	625,243
Accrued interest	124,415	109,849
Due from other governments	669,248	704,767
Inventories	144,317	113,323
Prepaid costs	32,894	34,056
Advances to other funds	113,985	126,650
	<hr/>	<hr/>
Total assets	\$ 23,101,581	\$ 22,233,795
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 984,751	\$ 865,783
Accrued payroll	411,109	826,101
Accrued liabilities - other	1,435,523	1,470,443
Unearned revenue	379,072	477,590
Deposits	1,650,309	1,523,536
	<hr/>	<hr/>
Total liabilities	4,860,764	5,163,453
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues - property taxes	5,511,231	5,429,336
<b>FUND BALANCE</b>		
Fund Balances:		
Nonspendable:		
Inventories	144,317	113,323
Prepaid costs	32,894	34,056
Loan to Cemetery Fund	113,985	126,650
Restricted:		
Bond proceeds not yet spent	3,170	3,716
Committed:		
Revenue stabilization	1,000,000	800,000
Assigned to:		
Operating materials, services and supplies	430,585	549,852
Capital equipment and vehicles	113,034	46,961
Future debt service costs	535,200	285,900
Future police radio system costs	210,000	-
Subsequent years' expenditures	1,062,376	1,226,140
Unassigned	9,084,025	8,454,408
	<hr/>	<hr/>
Total fund balances	12,729,586	11,641,006
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balances	\$ 23,101,581	\$ 22,233,795

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 1

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 10,730,000	\$ 10,730,000	\$ 10,787,173	\$ 57,173
Elderly tax relief exemption	-	-	(108,162)	(108,162)
Public service corporation taxes	298,000	298,000	303,926	5,926
Penalties and interest	55,000	55,000	46,576	(8,424)
<b>Total general property taxes</b>	<b>11,083,000</b>	<b>11,083,000</b>	<b>11,029,513</b>	<b>(53,487)</b>
Other local taxes:				
Consumer utility tax	795,000	795,000	784,877	10,123
Right of way use fees	180,000	180,000	129,236	50,764
Cigarette tax	340,000	340,000	330,796	9,204
Transient occupancy tax	2,162,000	2,162,000	2,169,852	(7,852)
Bank stock tax	285,000	285,000	394,486	(109,486)
Cable T.V. franchise fees	195,000	195,000	204,680	(9,680)
Business licenses tax	4,000,000	4,000,000	4,868,291	(868,291)
Utility consumption tax	96,000	96,000	87,390	8,610
Motor vehicle licenses	367,000	367,000	358,906	8,094
Local sales tax	1,772,000	1,772,000	1,871,189	(99,189)
Meals tax	2,136,500	2,136,500	2,173,102	(36,602)
<b>Total other local taxes</b>	<b>12,328,500</b>	<b>12,328,500</b>	<b>13,372,805</b>	<b>(1,044,305)</b>
Permits, privilege fees and regulatory licenses:				
Planning fees	80,000	80,000	160,957	(80,957)
Building inspection fees and permits	280,000	280,000	437,909	(157,909)
State stormwater management fees	-	-	1,322	(1,322)
Right of way permit fees	22,000	22,000	30,030	(8,030)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>382,000</b>	<b>382,000</b>	<b>630,218</b>	<b>(248,218)</b>
Fines and forfeitures:				
Court fines and costs	72,000	72,000	60,483	11,517
Court fees - Fairfax County	498,000	498,000	375,710	122,290
Court maintenance fees	13,000	13,000	11,359	1,641
E-Summons fees	35,000	35,000	17,591	17,409
Zoning fines	3,500	3,500	(1,831)	5,331
<b>Total fines and forfeitures</b>	<b>621,500</b>	<b>621,500</b>	<b>463,312</b>	<b>158,188</b>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 2

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	\$ 225,000	\$ 225,000	\$ 427,662	\$ 202,662
Rental income	568,000	568,000	550,425	(17,575)
<b>Total use of money and property</b>	<b>793,000</b>	<b>793,000</b>	<b>978,087</b>	<b>185,087</b>
Charges for services:				
Franchise lease	90,000	90,000	90,539	539
Commercial refuse collection	10,000	10,000	17,494	7,494
Recycling collection	99,000	99,000	99,324	324
Recreation program fees	1,613,000	1,613,000	1,576,616	(36,384)
Admission fees	424,000	424,000	379,797	(44,203)
Park operation	7,000	7,000	13,044	6,044
Herndon festival	320,000	320,000	393,359	73,359
Concession	19,000	19,000	19,017	17
Rental income - parks & recreation	95,000	95,000	115,569	20,569
Tennis/multi-use facility	203,000	203,000	213,541	10,541
Sale of recyclable materials	35,000	35,000	9,675	(25,325)
Quasi - external revenue - charges for administration, personnel and other services:				
Chestnut Grove Cemetery fund	16,500	16,500	16,500	-
Golf course fund	34,300	34,300	34,300	-
Water and sewer fund	509,700	509,700	509,700	-
<b>Total charges for services</b>	<b>3,475,500</b>	<b>3,475,500</b>	<b>3,488,475</b>	<b>12,975</b>
Miscellaneous	30,000	30,000	464,255	434,255
<b>Total revenue from local sources</b>	<b>28,713,500</b>	<b>28,713,500</b>	<b>30,426,665</b>	<b>(555,505)</b>
Intergovernmental:				
County of Fairfax:				
Pro-rata share of stormwater district tax collections	255,000	255,000	200,509	(54,491)
Contribution toward tourism and economic development	40,000	40,000	40,000	-
<b>Total from County of Fairfax</b>	<b>295,000</b>	<b>295,000</b>	<b>240,509</b>	<b>(54,491)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 3

GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental: (Continued)				
Other Local Governments:				
NOVA regional Gang Task Force grant	\$ 24,000	\$ 24,000	\$ 12,425	\$ (11,575)
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	549,000	549,000	548,704	(296)
Communications sales and use tax	1,716,000	1,716,000	1,667,287	(48,713)
Vehicle rental taxes	16,000	16,000	397	(15,603)
<b>Total non-categorical aid</b>	<b>2,281,000</b>	<b>2,281,000</b>	<b>2,216,388</b>	<b>(64,612)</b>
Categorical aid:				
Fire fund program	69,000	69,000	73,821	4,821
Litter control grant	6,000	6,000	6,013	13
Dept. of Criminal Justice Service - NOVA regional ICAC grant	25,000	25,000	48,114	23,114
VDOT highway revenue sharing grant	190,000	190,000	-	(190,000)
Street and highway maintenance allocation	1,744,000	1,744,000	1,778,344	34,344
<b>Total categorical aid</b>	<b>2,034,000</b>	<b>2,034,000</b>	<b>1,906,292</b>	<b>(127,708)</b>
<b>Total from the Commonwealth</b>	<b>4,315,000</b>	<b>4,315,000</b>	<b>4,122,680</b>	<b>(192,320)</b>
Federal government:				
Categorical aid:				
Dept. of Transportation/State & Community Highway Safety grant	15,000	35,000	14,330	(20,670)
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement grant	35,000	15,000	31,268	16,268
US Dept. of Justice/ Criminal Division Office Equitable Sharing Program	-	-	38,234	38,234
Byrne Justice Assistance (JAG) grant	-	-	2,531	2,531
US Dept. of Homeland Security Emergency Management Agency	-	-	19,260	19,260
<b>Total from the Federal government</b>	<b>50,000</b>	<b>50,000</b>	<b>105,623</b>	<b>55,623</b>
<b>Total intergovernmental revenue</b>	<b>4,684,000</b>	<b>4,684,000</b>	<b>4,481,237</b>	<b>(202,763)</b>
<b>Total General Fund revenues</b>	<b>\$ 33,397,500</b>	<b>\$ 33,397,500</b>	<b>\$ 34,907,902</b>	<b>\$ (758,268)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 1

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Personnel services	\$ 398,800	\$ 398,800	\$ 386,905	\$ 11,895
Operations and maintenance	273,400	275,423	267,644	7,779
<b>Total legislative</b>	<b>672,200</b>	<b>674,223</b>	<b>654,549</b>	<b>19,674</b>
Administration:				
Communications & Economic Development:				
Personnel services	345,400	345,400	343,124	2,276
Operations and maintenance	109,200	199,593	96,317	103,276
	454,600	544,993	439,441	105,552
Town manager:				
Personnel services	427,100	427,100	410,857	16,243
Operations and maintenance	51,400	53,500	22,312	31,188
	478,500	480,600	433,169	47,431
Human resources:				
Personnel services	476,100	476,100	455,992	20,108
Operations and maintenance	114,900	140,947	83,798	57,149
	591,000	617,047	539,790	77,257
Information services:				
Personnel services	736,400	736,400	747,756	(11,356)
Operations and maintenance	518,800	533,600	392,527	141,073
Capital outlay	34,500	37,620	30,089	7,531
	1,289,700	1,307,620	1,170,372	137,248
<b>Total administration</b>	<b>2,813,800</b>	<b>2,950,260</b>	<b>2,582,772</b>	<b>367,488</b>
Town attorney:				
Personnel services	337,500	337,500	348,041	(10,541)
Operations and maintenance	132,400	132,771	128,751	4,020
<b>Total town attorney</b>	<b>469,900</b>	<b>470,271</b>	<b>476,792</b>	<b>(6,521)</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 2

GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation:				
Administration:				
Personnel services	\$ 471,000	\$ 552,800	\$ 544,083	\$ 8,717
Operations and maintenance	115,900	115,900	98,477	17,423
	<u>586,900</u>	<u>668,700</u>	<u>642,560</u>	<u>26,140</u>
Recreation programs:				
Personnel services	862,000	835,000	843,230	(8,230)
Operations and maintenance	653,900	689,114	654,824	34,290
	<u>1,515,900</u>	<u>1,524,114</u>	<u>1,498,054</u>	<u>26,060</u>
Community center operations:				
Personnel services	934,700	879,900	863,618	16,282
Operations and maintenance	224,400	226,899	204,843	22,056
Capital outlay	36,000	36,000	35,929	71
	<u>1,195,100</u>	<u>1,142,799</u>	<u>1,104,390</u>	<u>38,409</u>
Aquatics programs and operations:				
Personnel services	650,100	650,100	602,347	47,753
Operations and maintenance	149,500	150,500	128,437	22,063
Capital outlay	65,000	64,000	14,008	49,992
	<u>864,600</u>	<u>864,600</u>	<u>744,792</u>	<u>119,808</u>
Park operations and development:				
Personnel services	69,500	69,500	73,202	(3,702)
Operations and maintenance	80,800	91,875	71,441	20,434
Capital outlay	-	-	1,806	(1,806)
	<u>150,300</u>	<u>161,375</u>	<u>146,449</u>	<u>14,926</u>
<b>Total parks and recreation</b>	<u>4,312,800</u>	<u>4,361,588</u>	<u>4,136,245</u>	<u>225,343</u>



TOWN OF HERNDON, VIRGINIA

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GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Administration:				
Personnel services	\$ 229,500	\$ 229,500	\$ 218,347	\$ 11,153
Operations and maintenance	237,700	230,400	221,008	9,392
	467,200	459,900	439,355	20,545
Accounting:				
Personnel services	554,700	554,700	566,560	(11,860)
Operations and maintenance	22,800	25,755	24,180	1,575
Capital outlay	-	26,100	-	26,100
	577,500	606,555	590,740	15,815
Revenue:				
Personnel services	219,200	219,200	224,413	(5,213)
Operations and maintenance	49,000	53,425	68,343	(14,918)
	268,200	272,625	292,756	(20,131)
Procurement:				
Personnel services	90,900	96,100	99,371	(3,271)
Operations and maintenance	6,800	6,800	5,584	1,216
	97,700	102,900	104,955	(2,055)
<b>Total finance</b>	<b>1,410,600</b>	<b>1,441,980</b>	<b>1,427,806</b>	<b>14,174</b>
Community development:				
Administration:				
Personnel services	1,422,700	1,422,700	1,333,626	89,074
Operations and maintenance	104,200	487,094	45,381	441,713
	1,526,900	1,909,794	1,379,007	530,787
Community inspections:				
Personnel services	343,700	298,600	214,606	83,994
Operations and maintenance	10,200	10,884	4,559	6,325
	353,900	309,484	219,165	90,319
<b>Total community development</b>	<b>1,880,800</b>	<b>2,219,278</b>	<b>1,598,172</b>	<b>621,106</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
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GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Police:				
Field operations:				
Personnel services	\$ 5,125,500	\$ 5,090,500	\$ 5,255,525	\$ (165,025)
Operations and maintenance	169,500	174,500	153,281	21,219
Capital outlay	175,200	437,328	355,944	81,384
	<u>5,470,200</u>	<u>5,702,328</u>	<u>5,764,750</u>	<u>(62,422)</u>
Support services:				
Personnel services	3,597,900	3,597,900	3,545,560	52,340
Operations and maintenance	480,600	504,309	471,855	32,454
Capital outlay	8,000	88,500	66,793	21,707
	<u>4,086,500</u>	<u>4,190,709</u>	<u>4,084,208</u>	<u>106,501</u>
<b>Total police</b>	<u>9,556,700</u>	<u>9,893,037</u>	<u>9,848,958</u>	<u>44,079</u>
Public Works:				
Administration:				
Personnel services	844,400	850,400	875,610	(25,210)
Operations and maintenance	47,000	47,000	41,758	5,242
	<u>891,400</u>	<u>897,400</u>	<u>917,368</u>	<u>(19,968)</u>
Engineering:				
Personnel services	537,900	508,350	443,206	65,144
Operations and maintenance	54,400	115,702	95,589	20,113
	<u>592,300</u>	<u>624,052</u>	<u>538,795</u>	<u>85,257</u>
Program management:				
Personnel services	288,300	240,400	143,342	97,058
Operations and maintenance	5,400	19,400	10,646	8,754
	<u>293,700</u>	<u>259,800</u>	<u>153,988</u>	<u>105,812</u>
Building inspections:				
Personnel services	512,300	512,300	464,089	48,211
Operations and maintenance	75,400	80,657	89,565	(8,908)
	<u>587,700</u>	<u>592,957</u>	<u>553,654</u>	<u>39,303</u>
Building maintenance:				
Personnel services	611,100	611,100	545,459	65,641
Operations and maintenance	828,800	905,350	739,809	165,541
	<u>1,439,900</u>	<u>1,516,450</u>	<u>1,285,268</u>	<u>231,182</u>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
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GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 684,900	\$ 684,900	\$ 615,800	\$ 69,100
Operations and maintenance	192,300	316,011	214,001	102,010
Capital outlay	120,000	139,000	117,164	21,836
	997,200	1,139,911	946,965	192,946
Street maintenance:				
Personnel services	716,400	716,400	384,567	331,833
Operations and maintenance	855,900	1,203,715	1,804,627	(600,912)
Capital outlay	299,400	343,013	225,753	117,260
	1,871,700	2,263,128	2,414,947	(151,819)
Refuse/recycling:				
Personnel services	1,028,400	1,028,400	943,964	84,436
Operations and maintenance	631,300	626,557	576,622	49,935
Capital outlay	280,000	280,000	279,977	23
	1,939,700	1,934,957	1,800,563	134,394
Vehicle and equipment maintenance:				
Personnel services	817,400	817,400	802,435	14,965
Operations and maintenance	478,000	431,075	121,291	309,784
Capital outlay	30,000	38,500	24,843	13,657
	1,325,400	1,286,975	948,569	338,406
Traffic engineering:				
Personnel services	245,300	245,300	125,092	120,208
Operations and maintenance	158,300	172,956	6,886	166,070
Capital outlay	50,500	50,500	31,530	18,970
	454,100	468,756	163,508	305,248
Right of way inspections:				
Personnel services	275,000	275,000	282,467	(7,467)
Operations and maintenance	10,700	10,900	7,914	2,986
	285,700	285,900	290,381	(4,481)
<b>Total public works</b>	<b>10,678,800</b>	<b>11,270,286</b>	<b>10,014,006</b>	<b>1,256,280</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
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GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grants and contingency:				
Operations	\$ -	\$ 30,999	\$ 46,618	\$ (15,619)
<b>Total grants</b>	-	30,999	46,618	(15,619)
Debt service:				
Principal	1,202,300	1,202,300	1,102,539	99,761
Interest and fiscal charges	359,300	359,300	313,792	45,508
<b>Total debt service</b>	1,561,600	1,561,600	1,416,331	145,269
<b>Total General Fund expenditures</b>	\$ 33,357,200	\$ 34,873,522	\$ 32,202,249	\$ 2,671,273

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 112,500	\$ 112,500	\$ 32,054	\$ (80,446)
Miscellaneous	525,000	534,020	243,929	(290,091)
Intergovernmental	1,363,000	1,363,000	2,291,815	928,815
<b>Total revenues</b>	<b>2,000,500</b>	<b>2,009,520</b>	<b>2,567,798</b>	<b>558,278</b>
Capital Outlay:				
Parks and recreation	1,115,000	2,398,905	317,805	2,081,100
Public works:				
Buildings and grounds	150,000	734,329	112,616	621,713
Streets, sidewalks and trails	1,633,000	14,249,183	1,867,923	12,381,260
Other infrastructure	735,000	1,629,693	460,499	1,169,194
Information systems improvements	593,000	1,067,001	537,579	529,422
<b>Total expenditures</b>	<b>4,226,000</b>	<b>20,079,111</b>	<b>3,296,422</b>	<b>16,782,689</b>
<b>Revenues under expenditures</b>	<b>(2,225,500)</b>	<b>(18,069,591)</b>	<b>(728,624)</b>	<b>17,340,967</b>
Other financing sources:				
Issuance of debt	1,290,500	1,290,500	-	1,290,500
Transfers in	912,000	912,000	1,432,000	(520,000)
<b>Total other financing sources</b>	<b>2,202,500</b>	<b>2,202,500</b>	<b>1,432,000</b>	<b>770,500</b>
<b>Net change in fund balance</b>	<b>\$ (23,000)</b>	<b>\$ (15,867,091)</b>	<b>\$ 703,376</b>	<b>\$ 16,570,467</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

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	222,502	221,980	522	222,502
Reallocation of remaining authorizations	259,637	260,159	(522)	259,637
Street Light Installation:				
Transfer from General Fund	446,000	376,000	70,000	446,000
Interest on investments	97,305	97,039	266	97,305
Reallocation of remaining authorizations	2,684	141,908	(139,224)	2,684
Ball Field Improvements/Recreation Facilities:				
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	576,214	486,214	90,000	576,214
Interest on investments	107,792	105,779	2,013	107,792
Reallocation of remaining authorizations	645,283	546,304	98,979	645,283

TOWN OF HERNDON, VIRGINIA

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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Locust Street Improvements:				
Builder contributions	\$ 61,083	\$ 61,083	\$ -	\$ 61,083
Interest on investments	60,339	60,245	94	60,339
Reallocation of remaining authorizations	(75,450)	(75,356)	(94)	(75,450)
Downtown Street Improvements:				
Federal/state grants	854,010	811,284	42,726	854,010
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	532,292	530,218	2,074	532,292
Reallocation of remaining authorizations	(1,567,770)	(1,539,467)	(28,303)	(1,567,770)
Gateway Entrances and Historical Markers:				
Donations	14,929	-	14,929	14,929
Transfer from General Fund	257,000	187,000	70,000	257,000
Interest on investments	38,145	37,972	173	38,145
Reallocation of remaining authorizations	(76,335)	(67,167)	(9,168)	(76,335)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Trails and Sidewalks:				
Federal/state/county grants	\$ 116,514	\$ 111,128	\$ 5,386	\$ 116,514
Transfer from General Fund	179,000	179,000	-	179,000
Interest on investments	59,168	57,688	1,480	59,168
Reallocation of remaining authorizations	633,463	547,420	86,043	633,463
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	(61,712)	(76,212)	14,500	(61,712)
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	70,364	70,274	90	70,364
Reallocation of remaining authorizations	(45,863)	(45,773)	(90)	(45,863)



TOWN OF HERNDON, VIRGINIA

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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
HMC Computer Equipment Room Renovations:				
Interest on investments	\$ 9,971	\$ 9,971	\$ -	\$ 9,971
Reallocation of remaining authorizations	187,606	204,910	(17,304)	187,606
Elden Street and Center Street Intersection Improvements:				
Federal/state grants	18,472	17,401	1,071	18,472
Proceeds from bond issue	50,000	50,000	-	50,000
Transfer from General Fund	50,000	50,000	-	50,000
Interest on investments	47,875	45,430	2,445	47,875
Reallocation of remaining authorizations	1,067,990	1,065,549	2,441	1,067,990
W & OD Trail Enhancements (CMAQ grant):				
Federal/state grants	304,269	304,269	-	304,269
Interest on investments	68,278	68,196	82	68,278
Reallocation of remaining authorizations	(28,164)	(37,185)	9,021	(28,164)

TOWN OF HERNDON, VIRGINIA

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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Station Street Improvements:				
Federal/state grants	\$ 1,052,062	\$ 532,079	\$ 519,983	\$ 1,052,062
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	189,641	185,740	3,901	189,641
Donated property	11,000	11,000	-	11,000
Reallocation of remaining authorizations	764,353	1,445,394	(681,041)	764,353
Park Avenue and Monroe Street Intersection:				
Federal/state/ local grants	1,070,205	67,925	1,002,280	1,070,205
Proceeds from bond issue	742,000	742,000	-	742,000
Transfer from General Fund	60,000	60,000	-	60,000
Interest on investments	139,953	136,360	3,593	139,953
Reallocation of remaining authorizations	(173,111)	268,558	(441,669)	(173,111)
Herndon Parkway Intersections Studies (VDOT grant):				
Federal/state grants	297,030	135,878	161,152	297,030
Interest on investments	242,330	236,373	5,957	242,330
Reallocation of remaining authorizations	2,690,019	2,793,128	(103,109)	2,690,019
Improvements to 397 Herndon Parkway:				
Interest on investments	6,390	6,348	42	6,390
Reallocation of remaining authorizations	29,688	24,730	4,958.0	29,688

TOWN OF HERNDON, VIRGINIA

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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

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
Transfer from General Fund	40,000	-	40,000	40,000
Interest on investments	18,871	18,871	-	18,871
Reallocation of remaining authorizations	102,018	103,565	(1,547)	102,018
Downtown Utility Relocation:				
Federal/state grants	955,575	955,575	-	955,575
Builder contributions	112,000	8,000	104,000	112,000
Transfer from General Fund	750,000	600,000	150,000	750,000
Interest on investments	14,991	14,879	112	14,991
Reallocation of remaining authorizations	403,986	109,750	294,236	403,986
Dranesville Road Improvements:				
Federal/state grants	382,699	382,699	-	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	40,393	40,060	333	40,393
Reallocation of remaining authorizations	(18,102)	(32,291)	14,189	(18,102)
Haley M. Smith Park - Service Building and Park Equipment:				
Builder contributions and donations	121,000	96,000	25,000	121,000
Transfer from General Fund	60,000	60,000	-	60,000
Interest on investments	1,948	1,948	-	1,948
Reallocation of remaining authorizations	175,848	82,042	93,806	175,848

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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Major Road Repaving:				
Federal/state grants	\$ 700,299	\$ 304,808	\$ 395,491	\$ 700,299
Transfer from General Fund	1,185,600	860,600	325,000	1,185,600
Interest on investments	4,383	4,383	-	4,383
Reallocation of remaining authorizations	(697,918)	(70,883)	(627,035)	(697,918)
Major Building Maintenance:				
Transfer from General Fund	236,000	156,000	80,000	236,000
Interest on investments	10,137	9,565	572	10,137
Reallocation of remaining authorizations	833,577	804,908	28,669	833,577
Storm Water Management/ Chesapeake Bay Regulations:				
Fairfax County grant	108,931	108,931	-	108,931
Interest on investments	478	478	-	478
Reallocation of remaining authorizations	6,863	4,863	2,000	6,863
Vehicular & Pedestrian Access to Herndon Metro Rail Station:				
Federal/state grants	35,542	-	35,542	35,542
Interest on investments	31,077	27,019	4,058	31,077
Reallocation of remaining authorizations	2,061,992	1,682,012	379,980	2,061,992

(Continued)

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**CAPITAL PROJECTS FUND**  
**SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)**  
**COMPARED WITH ESTIMATED REVENUES**  
**Year Ended June 30, 2016**

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/local grants	\$ 126,737	\$ 91,389	\$ 35,348	\$ 126,737
Interest on investments	2,213	1,561	652	2,213
Reallocation of remaining authorizations	228,972	(81,693)	310,665	228,972
Sterling Road and Herndon Parkway Intersection Improvements:				
Federal/state grants	200,318	200,318	-	200,318
Interest on investments	8,954	8,426	528	8,954
Reallocation of remaining authorizations	280,720	273,185	7,535	280,720
Van Buren Complete Street - Spring St. to South Corporate Limits:				
Federal/state/local grants	34,200	-	34,200	34,200
Transfer from General Fund	87,000	-	87,000	87,000
Interest on investments	3,820	3,076	744	3,820
Reallocation of remaining authorizations	271,930	140,474	131,456	271,930
Worldgate Extension - Herndon Metro Rail Area:				
Federal/state/local grants	58,636	-	58,636	58,636
Interest on investments	2,817	2,706	111	2,817
Reallocation of remaining authorizations	58,727	89,704	(30,977)	58,727

TOWN OF HERNDON, VIRGINIA

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CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2016

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	\$ 1,453	\$ 638	\$ 815	\$ 1,453
Reallocation of remaining authorizations	418,547	94,362	324,185	418,547
Elden Street and Monroe Street Intersection Improvements:				
Interest on investments	509	154	355	509
Reallocation of remaining authorizations	172,491	22,846	149,645	172,491
Folly Lick/ Spring Branch Trail				
Builder contributions	100,000	-	100,000	100,000
Interest on investments	1,042	-	1,042	1,042
Reallocation of remaining authorizations	406,958	-	406,958	406,958
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	(6,699,052)	(6,419,869)	(279,183)	(6,699,052)
<b>Totals</b>	<b>\$ 24,423,156</b>	<b>\$ 20,943,358</b>	<b>\$ 3,479,798</b>	<b>\$ 24,423,156</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-8

Page 1

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**Year Ended June 30, 2016**

	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	2,120,773	1,176	2,121,949	254,561
Street Light Installations	545,989	478,977	(62,635)	416,342	129,647
Ball Field Improvements/Recreation Facilities	1,465,789	347,169	137,702	484,871	980,918
Locust Street Improvements	45,972	111	-	111	45,861
Downtown Street Improvements	2,372,532	1,254,877	106,834	1,361,711	1,010,821
Gateway Entrances & Historical Markers	233,739	148,142	1,375	149,517	84,222
Trails and Sidewalks	988,145	258,604	8,309	266,913	721,232
Town Shop Improvements	1,209,650	1,195,150	2,000	1,197,150	12,500
Bus Stop Shelters	97,045	84,904	-	84,904	12,141
East Elden Street Interim Improvements	394,501	350,717	-	350,717	43,784
HMC Computer Equipment Room Renovations	197,577	192,577	-	192,577	5,000
Elden Street and Center Street Intersection Improvements	1,234,337	36,945	5,957	42,902	1,191,435
W & OD Trail Enhancements (CMAQ grant)	344,383	304,269	-	304,269	40,114
Station Street Improvements	3,160,056	2,361,806	88,250	2,450,056	710,000
Park Avenue and Monroe Street Intersection	1,839,047	243,277	1,035,770	1,279,047	560,000
Herndon Parkway Intersections Studies (VDOT grant)	3,229,379	262,024	64,000	326,024	2,903,355
Improvements to 397 Herndon Parkway	36,078	15,573	-	15,573	20,505

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-8  
Page 2

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2016

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
W & OD Trail Lighting	\$ 490,889	\$ 452,436	\$ 33,651	\$ 486,087	\$ 4,802
Downtown Utility Relocation	2,236,552	1,209,566	486,307	1,695,873	540,679
Dranesville Road Improvements	929,990	767,882	-	767,882	162,108
Haley M. Smith Park - Service Building & Playground Equip	358,796	201,628	157,168	358,796	-
Major Road Repaving	1,192,364	752,526	439,838	1,192,364	-
Major Building Maintenance	1,079,714	970,473	109,241	1,079,714	-
Storm Water Management/ Chesapeake Bay Regulations	116,272	105,001	2,000	107,001	9,271
Vehicular and Pedestrian Access to Herndon Metro Rail St	2,128,611	91,389	59,530	150,919	1,977,692
Trails to Herndon Metro Rail Station	357,922	8,707	31,665	40,372	317,550
Sterling Road and Herndon Parkway Intersection Improver	489,992	232,429	-	232,429	257,563
Van Buren Complete Street - Spring St. to South Corporat	396,950	34,200	-	34,200	362,750
Worldgate Extension - Herndon Metro Rail Area	120,180	38,273	27,770	66,043	54,137
Herndon Community Center - Phase V	420,000	-	22,935	22,935	397,065
Elden Street/ Monroe Street Intersection Improvements	173,000	-	-	-	173,000
Folly Lick/ Spring Branch Trail	508,000	-	-	-	508,000
Assigned to Subsequent Years' Expenditures	(6,388,510)	738,000	-	738,000	(7,126,510)
<b>Totals</b>	<b>\$ 24,423,156</b>	<b>\$ 15,294,761</b>	<b>\$ 2,758,843</b>	<b>\$ 18,053,604</b>	<b>\$ 6,369,552</b>



TOWN OF HERNDON, VIRGINIA

Exhibit B-9

INFORMATION SYSTEMS IMPROVEMENT FUND  
 SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
 Year Ended June 30, 2016

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Personal Computers, Printers and File Servers	\$ 1,699,636	\$ 1,590,354	\$ 13,698	\$ 1,604,052	\$ 95,584
WAN/I-NET and Internet Presence	1,585,401	1,330,080	255,321	1,585,401	-
Town Web Site Redesign	104,990	37,014	26,226	63,240	41,750
Financial/Human Resources Software Replacement	489,681	247,347	242,334	489,681	-
Assigned to Subsequent Years' Expenditures	(154,913)	(700)	-	(700)	(154,213)
<b>Totals</b>	<b>\$ 3,724,795</b>	<b>\$ 3,204,095</b>	<b>\$ 537,579</b>	<b>\$ 3,741,674</b>	<b>\$ (16,879)</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues:</b>			
Sale of water	\$ 2,635,000	\$ 2,436,439	\$ (198,561)
Sewer service charges	3,240,000	3,132,996	(107,004)
Late payment charges	69,000	63,234	(5,766)
Sale of commodities	7,800	17,520	9,720
Rents and leases	410,000	402,588	(7,412)
Miscellaneous	20,900	11,733	(9,167)
<b>Total operating revenues</b>	<b>6,382,700</b>	<b>6,064,510</b>	<b>(318,190)</b>
<b>Operating expenses:</b>			
Finance	349,777	296,691	53,086
Water main maintenance	2,476,961	1,720,990	755,971
Sewer service charge	4,282,091	3,661,644	620,447
Contractual services	509,700	509,700	-
<b>Nondepartmental:</b>			
Depreciation and amortization	-	721,869	(721,869)
Miscellaneous	53,900	52,621	1,279
<b>Total operating expenses</b>	<b>7,672,429</b>	<b>6,963,515</b>	<b>708,914</b>
<b>Operating loss</b>	<b>(1,289,729)</b>	<b>(899,005)</b>	<b>390,724</b>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	325,000	254,291	(70,709)
Availability fees	610,000	477,170	(132,830)
Gain / (Loss) on disposal of capital assets	500	(81,160)	(81,660)
<b>Total nonoperating revenues, net</b>	<b>935,500</b>	<b>650,301</b>	<b>(285,199)</b>
<b>Change in net position</b>	<b>\$ (354,229)</b>	<b>(248,704)</b>	<b>\$ 105,525</b>
Total net position, July 1		23,211,386	
Total net position, June 30		\$ 22,962,682	

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Rents and leases	\$ 42,800	\$ 44,490	\$ 1,690
Greens fees	967,000	981,038	14,038
Golf cart revenue	276,600	283,140	6,540
Golf pro shop sales	66,800	64,397	(2,403)
Driving range fees	68,600	73,147	4,547
Miscellaneous	18,500	31,014	12,514
<b>Total operating revenues</b>	<b>1,440,300</b>	<b>1,477,226</b>	<b>36,926</b>
Operating expenses:			
Golf course operations	711,175	663,701	47,474
Golf course club house	576,017	515,477	60,540
Nondepartmental:			
Depreciation and amortization	-	234,737	(234,737)
Miscellaneous	57,600	59,171	(1,571)
<b>Total operating expenses</b>	<b>1,344,792</b>	<b>1,473,086</b>	<b>(128,294)</b>
<b>Operating income (loss)</b>	<b>95,508</b>	<b>4,140</b>	<b>(91,368)</b>
Nonoperating revenues (expenses):			
Investment earnings, net	25,000	25,323	323
Interest expense	(34,100)	(33,031)	1,069
Loss on disposal of capital assets	-	-	-
<b>Total nonoperating expenses, net</b>	<b>(9,100)</b>	<b>(7,708)</b>	<b>1,392</b>
<b>Income (loss)</b>	<b>86,408</b>	<b>(3,568)</b>	<b>(89,976)</b>
<b>Change in net position</b>	<b>\$ 86,408</b>	<b>(3,568)</b>	<b>\$ (89,976)</b>
Total net position, July 1		<u>3,112,836</u>	
Total net position, June 30		<u>\$ 3,109,268</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Cemetery sites	\$ 430,700	\$ 429,208	\$ (1,492)
Interment services	191,000	202,235	11,235
Merchandise sales	122,000	152,155	30,155
Miscellaneous	29,200	46,004	16,804
<b>Total operating revenues</b>	<b>772,900</b>	<b>829,602</b>	<b>56,702</b>
Operating expenses:			
Cemetery operations	565,518	517,462	48,056
Nondepartmental:			
Depreciation and amortization	-	108,149	(108,149)
Miscellaneous	22,600	22,511	89
<b>Total operating expenses</b>	<b>588,118</b>	<b>648,122</b>	<b>(60,004)</b>
<b>Operating income</b>	<b>184,782</b>	<b>181,480</b>	<b>(3,302)</b>
Nonoperating revenues (expenses):			
Investment earnings	6,800	10,250	3,450
Interest expense	(47,800)	(62,042)	(14,242)
<b>Total nonoperating expenses, net</b>	<b>(41,000)</b>	<b>(51,792)</b>	<b>(10,792)</b>
<b>Income before transfers</b>	<b>143,782</b>	<b>129,688</b>	<b>(14,094)</b>
Transfers in	37,500	17,825	(19,675)
Transfers out	(43,100)	(42,921)	179
<b>Change in net position</b>	<b>\$ 138,182</b>	<b>104,592</b>	<b>\$ (33,590)</b>
Total net position, July 1		<u>1,114,712</u>	
Total net position, June 30		<u>\$ 1,219,304</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Miscellaneous	\$ 12,700	\$ 67,403	\$ 54,703
<b>Total operating revenues</b>	<u>12,700</u>	<u>67,403</u>	<u>54,703</u>
Operating expenses:			
Downtown parking	69,269	69,061	208
Depreciation and amortization	-	3,562	(3,562)
<b>Total operating expenses</b>	<u>69,269</u>	<u>72,623</u>	<u>(3,354)</u>
<b>Operating loss</b>	<u>(56,569)</u>	<u>(5,220)</u>	<u>51,349</u>
Nonoperating revenues:			
Investment earnings	7,800	35,532	27,732
<b>Total nonoperating revenues</b>	<u>7,800</u>	<u>35,532</u>	<u>27,732</u>
<b>Income (loss) before transfers</b>	<u>(48,769)</u>	<u>30,312</u>	<u>79,081</u>
Transfers in	200,000	200,000	-
<b>Change in net position</b>	<u>\$ 151,231</u>	<u>230,312</u>	<u>\$ 79,081</u>
Total net position, July 1		<u>4,510,343</u>	
Total net position, June 30		<u>\$ 4,740,655</u>	



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STATISTICAL SECTION

**TOWN OF HERNDON, VIRGINIA  
STATISTICAL SECTION**

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

TOWN OF HERNDON, VIRGINIA

Table 1

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 70,494,388
Restricted	1,244,028	1,268,979	1,298,335	1,331,216	-	-	3,156,244	3,156,490	2,400,979	3,985,488
Unrestricted	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	6,752,041
<b>Total governmental activities net position</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>	<b>\$ 81,231,917</b>
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 16,773,326
Unrestricted	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	15,258,583
<b>Total business-type activities net position</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>	<b>\$ 32,031,909</b>
Primary government:										
Net investment in capital assets	\$ 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	\$ 87,267,714
Restricted	1,244,028	1,268,979	1,298,335	1,331,216	-	-	3,156,244	3,156,490	2,400,979	3,985,488
Unrestricted	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	22,010,624
<b>Total primary government net position</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>	<b>\$ 113,263,826</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Legislative	\$ 664,636	\$ 685,284	\$ 654,002	\$ 633,438	\$ 623,912	\$ 583,204	\$ 640,816	\$ 627,221	\$ 602,274	\$ 677,277
Administration	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	2,691,531
Town attorney	393,808	461,394	519,437	532,305	587,992	475,518	497,761	539,332	522,777	556,236
Parks and recreation	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	4,839,122
Finance	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	1,485,207
Community development	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	1,682,901
Police	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	10,021,992
Public works	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	11,665,946
Interest	940,449	875,509	813,800	765,523	807,330	938,843	533,155	443,213	511,089	287,036
<b>Total governmental activities</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>	<b>33,907,248</b>
Business-type activities:										
Water and sewer	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	7,044,675
Golf course	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	1,506,117
Chestnut Grove cemetery	442,171	652,781	704,690	714,927	698,361	686,962	729,837	707,836	697,207	710,164
Downtown parking	79,465	278,725	65,844	44,814	77,374	29,473	29,390	32,945	28,283	72,623
<b>Total business-type activities</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>9,333,579</b>
<b>Total government expenses</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>	<b>43,240,827</b>
Program revenue:										
Governmental activities:										
Charges for services:										
Administration	36,634	46,447	20,650	12,827	28,242	20,573	19,606	34,762	24,327	9,675
Parks and recreation	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	2,710,943
Finance	382,570	401,700	421,790	442,880	465,020	488,270	512,690	533,200	549,600	560,500
Police	555,217	509,890	579,682	544,060	543,607	583,820	498,279	469,812	543,901	447,552
Public works	546,176	398,234	466,595	495,331	498,571	421,503	687,130	646,287	634,681	762,796
Operating grants and contributions:										
Administration	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	40,000
Police	1,089,540	916,457	1,045,779	954,847	898,306	707,317	627,749	751,934	671,045	666,752
Public works	940,045	1,896,712	739,287	1,097,785	864,727	806,055	890,712	862,301	936,748	953,146
Capital grants and contributions:										
Police	-	-	-	-	5,000	-	-	-	-	-
Public works	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	3,244,961
<b>Total governmental activities program revenue</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>	<b>9,396,325</b>

TOWN OF HERNDON, VIRGINIA

Table 2  
Page 2

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

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 4,868,154	\$ 5,032,572	\$ 4,898,322	\$ 5,667,631	\$ 5,928,243	\$ 6,207,789	\$ 6,285,282	\$ 6,445,760	\$ 6,303,140	\$ 6,127,359
Golf course	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	1,401,722
Chestnut Grove cemetery	507,959	406,729	536,054	568,783	596,106	639,107	695,230	806,521	725,182	783,598
Capital grants and contributions:										
Water and sewer	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>7,080,278</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>8,312,679</b>
<b>Total government program revenues</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>	<b>17,709,004</b>
Net (expense) revenue:										
Governmental activities	(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)	(24,510,923)
Business-type activities	(1,596,031)	(2,205,705)	(2,158,093)	(1,225,790)	(850,259)	(1,105,460)	(865,080)	(1,112,081)	(808,712)	(1,020,900)
<b>Total government net expense</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>	<b>(25,531,823)</b>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	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	11,040,763
Business license	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	4,868,291
Transient occupancy	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	2,169,852
Local sales	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	1,871,189
Meals	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	2,173,102
Other local taxes	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	2,290,371
Revenues not restricted to specific programs	77,624	84,118	89,937	92,844	193,634	-	82,940	85,328	87,940	90,539
Intergovernmental, non-categorical aid	135,559	63,070	42,626	29,026	1,827,856	1,790,631	1,957,744	1,937,785	1,815,751	1,868,193
Use of money and property	1,402,972	1,332,543	1,406,066	1,216,859	725,320	899,551	451,965	1,111,136	801,986	1,027,152
Miscellaneous and lease income	11,828	190,623	439,355	144,995	64,412	201,030	184,899	1,984,086	77,560	708,184
Gain on sale of capital assets	19,573	52,309	-	-	-	-	-	-	-	14,927
Transfers	(63,158)	(82,139)	(46,252)	(28,468)	(9,979)	(217,583)	(175,892)	(2,109,986)	(386,638)	(174,904)
<b>Total governmental activities</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>	<b>27,947,659</b>

TOWN OF HERNDON, VIRGINIA

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

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Use of money and property	\$ 966,969	\$ 969,476	\$ 1,014,947	\$ 835,100	\$ 291,614	\$ 547,645	\$ 80,894	\$ 487,345	\$ 276,557	\$ 325,396
Miscellaneous	263,456	282,077	367,475	491,843	559,781	559,314	579,466	615,068	618,690	603,232
Transfers	63,158	82,139	46,252	28,468	9,979	217,583	175,892	2,109,986	386,638	174,904
<b>Total business-type activities</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>1,103,532</b>
<b>Total primary government</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>	<b>29,051,191</b>
Changes in net position:										
Governmental activities	11,003,079	1,078,125	(883,005)	265,960	(776,657)	(355,117)	(312,216)	(549,800)	1,773,917	3,436,736
Business-type activities	(302,448)	(872,013)	(729,419)	129,621	11,115	219,082	(28,828)	2,100,318	473,173	82,632
<b>Total primary government</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>	<b>\$ 3,519,368</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Administration	\$ 211,391	\$ 223,602	\$ 216,266	\$ 124,968	\$ 142,974	\$ 49,921	\$ 19,606	\$ 34,762	\$ 24,327	\$ 9,675
Parks and recreation	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	2,710,943
Finance	382,570	401,700	421,790	442,880	465,020	488,270	512,690	533,200	549,600	560,500
Community development	638	451	-	130,958	87,289	129,380	130,823	130,000	130,000	40,000
Police	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	1,114,304
Public works	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	4,960,903
<b>Total governmental activities</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>	<b>9,396,325</b>
Business-type activities:										
Water and sewer	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	6,127,359
Golf course	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	1,401,722
Chestnut Grove cemetery	507,959	406,729	536,054	568,783	596,106	639,107	695,230	806,521	725,182	783,598
<b>Total business-type activities</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>8,312,679</b>
<b>Total government</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>	<b>\$ 17,709,004</b>

Note:

(1) In years 2007 through 2013, the public works department received donated assets of \$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,				
	2007	2008	2009	2010	2011
General Fund:					
Nonspendable	\$ 777,549	\$ 668,306	\$ 696,928	\$ 521,699	\$ 465,104
Assigned	1,514,448	2,076,810	1,547,148	1,330,286	1,447,107
Unassigned	5,505,291	5,065,689	5,572,879	5,830,035	6,269,345
<b>Total General Fund</b>	<b>\$ 7,797,288</b>	<b>\$ 7,810,805</b>	<b>\$ 7,816,955</b>	<b>\$ 7,682,020</b>	<b>\$ 8,181,556</b>
All Other Governmental Funds:					
Committed	\$ 1,244,028	\$ 1,268,979	\$ 1,298,335	\$ 1,331,216	\$ 1,364,493
Assigned	5,560,103	6,132,528	6,283,685	8,714,791	9,094,285
<b>Total all other governmental funds</b>	<b>\$ 6,804,131</b>	<b>\$ 7,401,507</b>	<b>\$ 7,582,020</b>	<b>\$ 10,046,007</b>	<b>\$ 10,458,778</b>
	June 30,				
	2012	2013	2014	2015	2016
General Fund:					
Nonspendable	\$ 437,038	\$ 396,781	\$ 319,403	\$ 274,029	\$ 291,196
Restricted	-	-	-	3,716	3,170
Committed	200,000	400,000	600,000	800,000	1,000,000
Assigned	1,275,540	1,478,176	1,494,774	2,108,853	2,351,195
Unassigned	6,899,792	7,109,184	8,164,509	8,454,408	9,087,195
<b>Total General Fund</b>	<b>\$ 8,812,370</b>	<b>\$ 9,384,141</b>	<b>\$ 10,578,686</b>	<b>\$ 11,641,006</b>	<b>\$ 12,732,756</b>
All Other Governmental Funds:					
Nonspendable	\$ 400	\$ -	\$ -	\$ -	\$ 25,000
Restricted	1,401,996	4,600,626	4,654,446	3,935,728	3,982,318
Committed	-	-	-	-	-
Assigned	9,073,286	5,466,901	5,045,594	3,252,034	3,942,806
Unassigned	-	-	-	-	(16,879)
<b>Total all other governmental funds</b>	<b>\$ 10,475,682</b>	<b>\$ 10,067,527</b>	<b>\$ 9,700,040</b>	<b>\$ 7,187,762</b>	<b>\$ 7,933,245</b>

Note:

(1) In fiscal year 2011, the town adopted GASB 54 which changed fund balance classifications. Fiscal year 2007 - 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
General property taxes	\$ 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	\$ 11,029,513
Other local taxes	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	13,372,805
Permits, privilege fees and regulatory licenses	442,686	285,090	361,280	398,453	394,406	307,471	576,155	532,695	522,048	630,218
Fines and forfeitures	571,830	571,998	593,631	546,486	525,648	586,607	491,067	632,491	547,939	463,312
Use of money and property	1,402,972	1,332,543	1,406,066	1,216,859	725,320	899,551	451,965	1,111,136	801,986	1,027,152
Charges for services	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	3,488,475
Miscellaneous	11,828	190,623	318,482	122,619	45,613	173,216	156,708	33,485	77,560	708,184
Intergovernmental	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	6,773,052
<b>Total revenues</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>37,492,711</b>
<b>Expenditures:</b>										
Legislative	659,583	660,310	651,245	621,490	621,830	574,002	633,519	622,325	626,639	654,549
Administration	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	2,582,772
Town attorney	390,529	455,322	522,946	533,800	580,099	465,714	494,245	535,633	545,434	476,792
Parks and recreation	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	4,136,245
Finance	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	1,427,806
Community development	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	1,598,172
Police	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	9,848,958
Public works	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	10,014,006
Grants	213,168	70,741	169,494	112,375	56,077	52,544	38,171	102,305	26,042	46,618
Capital outlay	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	3,296,422
Debt service:										
Principal	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	1,102,539
Interest and fiscal charges	969,521	881,041	800,142	808,155	838,530	695,817	494,954	481,073	573,790	313,792
<b>Total expenditures</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>35,498,671</b>
<b>Excess of revenues over (under) expenditures</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>1,994,040</b>
<b>Other financing sources (uses):</b>										
Transfers in	1,508,043	1,424,483	551,856	1,255,981	755,777	666,003	584,487	1,048,074	1,043,888	1,474,921
Transfers out	(1,571,201)	(1,506,622)	(598,108)	(1,284,449)	(765,756)	(883,586)	(760,379)	(3,158,060)	(1,430,526)	(1,649,825)
Issuance of debt	500,000	-	-	3,240,000	902,500	-	-	-	-	-
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	21,038	-	-	71,562	92,459	-	-	-	-	-
Proceeds from sale of property	19,573	52,309	120,873	22,376	19,995	27,375	29,876	1,951,169	-	14,927
<b>Total other financing sources (uses), net</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>(159,977)</b>
<b>Net changes in fund balances</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>	<b>\$ 1,834,063</b>

TOWN OF HERNDON, VIRGINIA

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

**Table 5  
Page 2**

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 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	\$ 1,416,331
Total expenditures	\$ 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	\$ 35,498,671
Less: capital outlay	(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)	(3,549,414)
<b>Noncapital expenditures</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>\$ 31,949,257</b>
<b>Debt service as a percentage of noncapital expenditures</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>	<b>4.43%</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
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
2016	11,029,513	4,868,291	2,169,852	1,871,189	2,173,102	330,796	358,906	872,267	-	-	728,402	24,402,318
Change 2007-2016	5.63%	53.12%	-11.99%	14.14%	85.80%	-6.08%	24.40%	-34.29%	N/A	N/A	-2.58%	7.14%

Source: Town records.

Notes:

- (1) Town's real property assessments declined about 5 percent from 2007 to 2016. In response to the decreases, the town's real estate tax rate increased over the past ten years from \$0.24 per \$100 of assessed value (AV) to the current rate of \$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
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	112,355,453	214,819,800	4,360,323,178	4,145,503,378	5.06%	0.2650	4,145,503,378	100.00%
2016	2,256,968,560	1,823,038,660	114,688,984	220,801,220	4,415,497,424	4,194,696,204	1.19%	0.2650	4,194,696,204	100.00%

Sources:

Town of Herndon Department of Finance

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

Notes:

- (1) Higher assessed values from 2007 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. Years 2012 through 2016 portray a steady, albeit slow, recovery of assessment values.

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
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
2016	0.2650	-	1.1300	4.5700	1.3950	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	2016			%	2007		
	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	1.77		\$ 113,358,650	1	2.57
New Dominion	67,583,590	2	1.61		-	-	-
GSG Residential Westerly	62,584,810	3	1.49		-	-	-
GSG Residential Townes	60,005,960	4	1.43		-	-	-
Worldgate Centre Owner LLC	59,901,780	5	1.43		-	-	-
Inland America Herndon Worldgate	58,837,590	6	1.40		-	-	-
MIVPO LLC	56,554,760	7	1.35		-	-	-
Realty Associates Fund IX LP	51,858,220	8	1.24		-	-	-
RREEF America Reit II Corp VVV	46,244,020	9	1.10		69,688,160	5	1.58
Washington Real Estate Investment Trust	47,412,790	10	1.13		-	-	-
New Dominion Technology Park	-	-	-		87,699,210	2	1.99
Worldgate Plaza	-	-	-		86,458,780	3	1.96
Federal National	-	-	-		76,086,000	4	1.73
MIVPO LLC	-	-	-		61,711,720	6	1.40
Worldgate Center Owner	-	-	-		60,601,200	7	1.38
EQR Herndon LLC	-	-	-		52,047,380	8	1.18
HMH Properties, Inc.	-	-	-		51,819,550	9	1.18
BOI Properties Plaza Trust	-	-	-		51,790,570	10	1.18
<b>Total</b>	<b>\$ 585,113,320</b>		<b>13.95</b>	<b>%</b>	<b>\$ 711,261,220</b>		<b>16.14</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
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%	34,681	9,880,575	100.00%
2014	10,299,028	10,272,232	99.74%	26,276	10,298,508	99.99%
2015	10,705,433	10,674,237	99.71%	24,535	10,674,237	99.71%
2016	10,805,027	10,767,440	99.65%	NA	10,767,440	99.65%

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
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
2016	11,353,283	83,158	2,355,385	13,791,826	0.78	583	11,353,283	0.27	480

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, 2016  
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Fairfax County, Virginia	\$ 2,173,150,000	1.7934%	\$ 38,973,158
Town Direct Debt			<u>11,436,441</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 50,409,599</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 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	\$ 408,000,722
Total net debt applicable to limit	21,048,352	19,114,365	17,402,449	18,911,007	18,149,991	17,118,576	15,599,958	14,045,713	12,552,355	11,436,441
Available legal debt margin	<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>	<u>\$ 396,564,281</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	4.99%	4.16%	3.80%	4.91%	5.53%	4.95%	4.18%	3.64%	3.11%	2.80%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value of real estate	<u>\$ 4,080,007,220</u>
Debt limit (10% of assessed value)	\$ 408,000,722
Debt applicable to limit:	
Net direct debt outstanding	<u>11,436,441</u>
Available legal debt margin	<u>\$ 396,564,281</u>

Summary of Outstanding Debt:

2007 general obligation bonds	23,230
2010 general obligation bonds	1,823,050
2010 refunding bonds	960,809
2012 refunding bonds	4,506,500
2010 twenty-year note	83,158
2014 refunding bonds	3,947,823
Deferred bond premiums	<u>91,871</u>
	<u>\$ 11,436,441</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	
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
2016	1,502,549	1,238,349	264,200	96,562	34,538	131,100	2.02

Chestnut Grove Cemetery Fund							
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2016	839,852	539,973	299,879	146,638	42,140	188,778	1.59

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)
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
2016	23,666	1,775,116	75,007	185,979	3.2

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	2016 Employment Range	2007 Employment Range
Amazon Corporation LLC	Over 500	-
Booz Allen Hamilton, Inc.	Over 500	-
Fannie Mae	Over 500	-
Harris Corporation	Over 500	-
Northwest Federal Union	249-499	-
Town of Herndon	249-499	249-499
Worldgate Sports & Health Club	100-250	-
Airline Pilots Association	100-250	-
Medical Transportation Service	100-250	-
Boeing Corporation	100-250	-
Weichert Realtors	-	249-499
Arbinet Holding Inc.	-	249-499
PB Americas, Inc	-	249-499
Sterling Courier, "A Quick Co"	-	249-499
Ajilion Professional Staffing	-	249-499
Synacor	-	249-499
Sodexo Management, Inc.	-	249-499
Select Physical Therapy	-	100-250
Foot Locker #	-	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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Legislative	3.8	4.1	4.0	4.0	4.0	4.0	4.0	4.0	3.5	3.0
Administration:										
Public information	1.7	1.5	1.5	1.5	1.5	1.5	1.6	2.4	2.7	2.8
Town manager	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.8
Human resources	3.5	3.4	3.3	3.5	3.5	3.4	3.4	3.1	3.5	3.6
Information services	5.9	6.1	6.0	5.7	5.3	6.0	6.0	6.1	5.9	6.1
Neighborhood resources (1)	3.9	4.7	3.5	-	-	-	-	-	-	-
Town attorney	2.9	2.8	3.0	2.6	2.6	2.8	2.8	2.6	2.6	2.5
Parks and recreation:										
Administration	4.7	5.5	4.6	3.9	4.2	4.6	4.9	4.0	5.1	5.7
Recreation programs (2)	19.5	20.1	19.3	17.7	16.9	15.3	15.1	15.1	14.8	16.3
Community center operations	12.3	15.9	17.0	15.4	16.2	16.6	16.9	16.7	16.6	16.0
Aquatics programs and operations	11.6	12.9	13.6	13.4	13.3	13.7	13.3	13.1	13.8	12.1
Park operation and development	1.6	1.9	1.1	1.2	1.4	1.3	1.6	1.6	1.1	0.8
Finance:										
Administration	1.4	1.8	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Billing and accounting	4.6	5.0	5.0	5.0	5.0	5.0	4.9	4.7	5.8	5.8
Revenue (2)	3.4	4.6	3.8	3.2	2.8	2.8	2.8	2.8	2.8	2.7
Procurement	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.6	1.0
Community development (1), (2)	21.0	20.3	21.5	22.0	22.3	21.5	19.2	18.7	18.2	14.8
Police:										
Field operations	51.3	46.1	45.6	45.4	44.1	49.9	48.9	48.4	46.6	45.1
Support services	25.1	32.0	33.7	35.0	33.9	29.8	31.9	33.4	35.4	34.8
Public works:										
Administration	6.2	8.2	8.2	8.1	6.1	6.9	7.0	7.0	7.0	6.9
Engineering	4.2	4.6	5.0	5.0	5.0	5.0	4.9	4.4	4.7	3.9
Program management	3.0	2.0	2.8	3.0	3.0	3.0	2.9	2.8	2.0	1.5
Building inspections	4.5	5.2	5.2	4.8	4.0	4.9	4.8	4.9	4.4	4.6
Building maintenance	8.2	8.0	8.3	8.4	8.3	8.4	8.5	8.0	7.2	7.2
Grounds maintenance	10.1	10.1	10.4	10.5	7.8	9.0	11.0	11.0	11.6	12.3
Street maintenance	7.0	7.3	10.3	8.8	10.3	8.7	9.8	11.0	9.8	10.3
Refuse/recycling	17.9	18.1	17.4	16.9	17.0	16.6	17.0	16.8	16.6	16.9
Vehicle and equipment replacement	10.5	9.9	10.1	10.5	10.3	9.2	9.4	9.4	10.5	10.5
Traffic engineering (2)	3.8	3.8	3.8	3.5	3.1	3.0	3.1	3.2	3.2	2.6
Right-of-way inspections	3.1	3.0	3.1	3.2	3.1	3.1	3.0	3.1	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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water and Sewer:										
Customer service	3.3	2.0	3.7	3.8	3.8	3.9	4.1	4.0	4.3	3.5
Sewer service and maintenance (2)	6.3	6.2	5.6	6.4	5.7	3.3	4.4	5.3	5.2	5.1
Water supply and maintenance	5.7	7.1	6.4	6.7	5.6	8.1	7.7	7.3	8.3	7.7
Golf Course:										
Maintenance (2)	8.6	8.4	8.1	7.6	7.2	7.2	7.2	7.5	7.3	6.8
Clubhouse	5.9	6.2	6.3	6.0	5.7	5.8	5.7	5.8	6.1	5.4
Chestnut Grove Cemetery:										
Administration	4.4	5.1	4.9	5.0	4.9	5.0	4.8	4.8	4.9	4.3
<b>Total</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>	<b>289.6</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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Calls for service	35,000	35,600	33,800	27,700	28,100	27,700	30,900	28,990	36,230	35,520
Administration:										
Number of recruitments requests	86	158	93	78	105	89	60	56	65	64
Building safety:										
Total building permits	361	310	168	342	308	247	226	241	230	263
Total inspections performed	3,864	3,628	3,766	3,446	3,421	2,928	2,628	2,613	2,844	3,496
Public service:										
Refuse collected (tons)	6,362	5,817	5,655	5,868	5,948	5,860	5,248	5,670	6,250	6,410
Recycle collected (residential - tons)	1,879	1,737	1,427	1,473	1,501	1,518	1,517	1,625	1,673	1,711
Parks and Recreation:										
Recreation program attendance	14,900	15,875	16,703	17,842	17,368	16,954	12,000	11,500	11,200	11,600
Herndon Festival attendance	79,000	85,000	83,000	79,000	82,000	69,000	82,000	82,000	83,000	78,500
Water and sewer:										
New utility accounts	26	30	24	10	50	78	15	25	20	35
Average daily water consumption (mgd)	2.52	2.42	2.28	2.09	2.15	2.17	2.02	2.00	2.15	2.13
Average daily sewage treatment (mgd)	2.48	2.39	2.40	2.57	2.50	2.47	2.24	2.66	2.46	2.44
Golf Course:										
Rounds played (18 and 9 hole)	33,705	34,940	32,781	32,110	30,098	33,435	31,766	31,421	30,368	33,112
Cemetery:										
Sites sold	164	139	147	184	163	204	180	184	136	132
Interments performed	144	102	133	174	117	138	124	129	139	140

Sources:

Town of Herndon Town Manager's Annual Reports for fiscal years 2007 through 2016.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2007 through 2016.  
 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	33	35	38	39	39	42	42	45	45	47
Refuse Collection:										
Collection trucks	8	8	8	9	9	9	9	9	9	10
Other public works:										
Vehicles/equipment maintained	372	374	374	375	374	378	379	385	424	429
Streets:										
Primary (miles)	29.9	29.9	29.9	29.9	29.9	31.3	31.3	31.3	31.3	31.3
Secondary (miles)	98.1	98.1	98.1	98.1	98.5	98.4	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	8
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles)	88.0	88.7	88.7	89.3	89.3	89.3	89.3	83.4	84.7	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)	80.8	81.3	81.3	81.8	81.8	81.8	81.8	81.8	81.8	81.8

Sources:

Town of Herndon Town Manager's Annual Reports for fiscal years 2007 through 2016.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2007 through 2016.  
 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 Members of Town Council  
Town of Herndon, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Herndon (the "Town"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the town's basic financial statements, and have issued our report thereon dated November 22, 2016.

**Internal Control over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 22, 2016

**TOWN OF HERNDON, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2016**

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

**STATE COMPLIANCE MATTERS**

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Urban Highway Maintenance