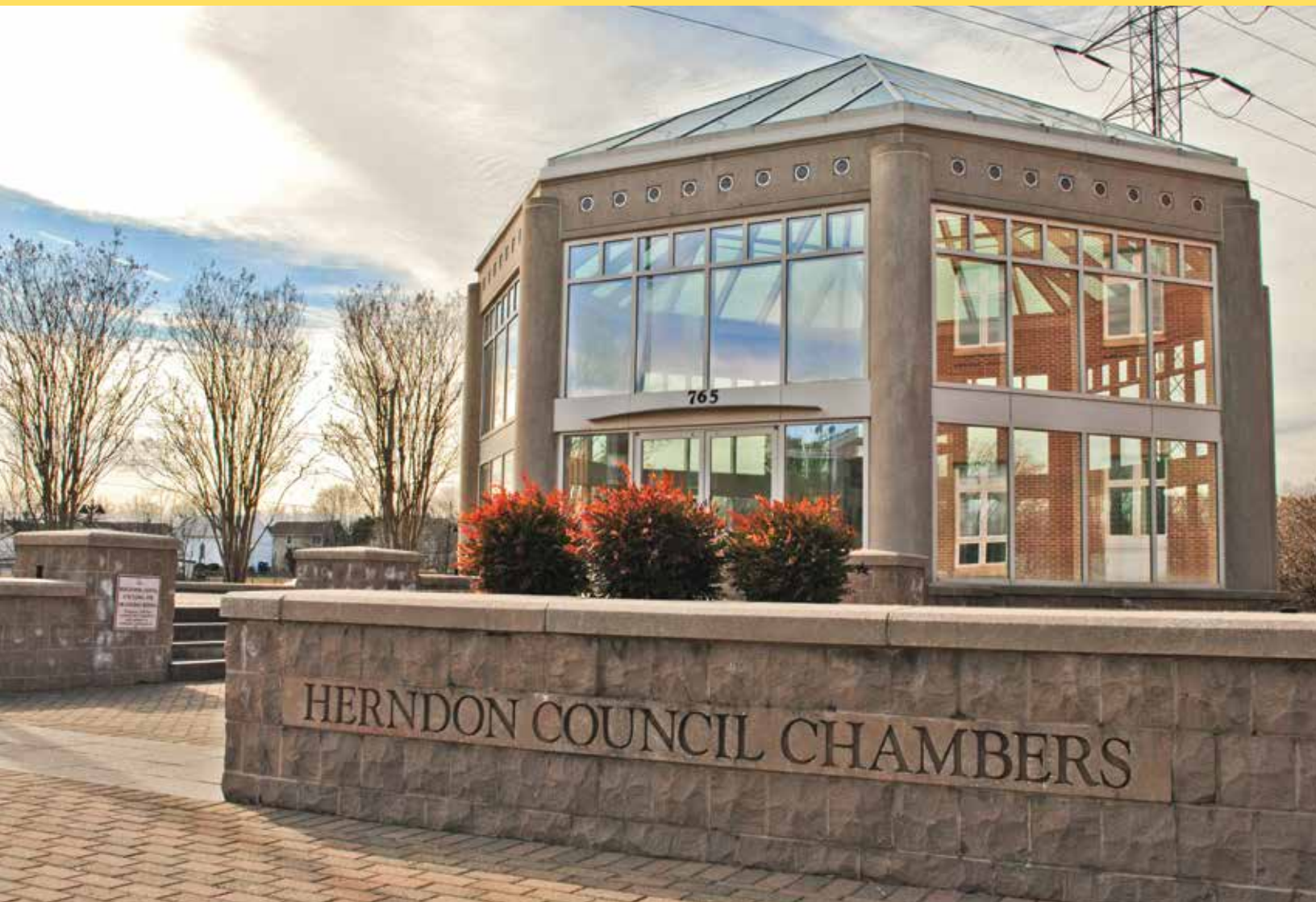




# TOWN *of* HERNDON, VIRGINIA

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013



**TOWN OF HERNDON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2013**

Prepared by the  
Department of Finance

# TOWN OF HERNDON, VIRGINIA

## TABLE OF CONTENTS

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### **INTRODUCTORY SECTION**

---

Letter of Transmittal	i – vii
Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
Directory of Officials	x

---

### **FINANCIAL SECTION**

---

Independent Auditor's Report	3 – 5
Management's Discussion and Analysis	7 – 26

#### *Basic Financial Statements*

Exhibit A-1	Statement of net position	27
Exhibit A-2	Statement of activities	28
Exhibit A-3	Balance sheet – governmental funds	29 – 30
Exhibit A-4	Reconciliation of the balance sheet of the governmental funds to the statement of net position	31
Exhibit A-5	Statement of revenues, expenditures and changes in fund balances – governmental funds	32 – 33
Exhibit A-6	Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	34
Exhibit A-7	Statement of revenues, expenditures and changes in fund balances – budget and actual – general fund	35 – 36
Exhibit A-8	Statement of net position – proprietary funds	37 – 38
Exhibit A-9	Statement of revenues, expenses and changes in net position – proprietary funds	39 – 40
Exhibit A-10	Statement of cash flows – proprietary funds	41 – 42
Exhibit A-11	Statement of net position – fiduciary fund	43
Exhibit A-12	Statement of changes in net position – fiduciary fund	44
	Notes to financial statements	45 – 75

---

*Required Supplementary Information*

Schedules of funding progress and schedule of employer contributions	79
--	----

*Supplementary Information*

Exhibit B-1	Combining balance sheet – nonmajor governmental funds	84
Exhibit B-2	Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds	85

*Supplemental Schedules*

Exhibit B-3	General fund - balance sheet	88
Exhibit B-4	General fund - schedule of revenues – budget and actual	89 – 91
Exhibit B-5	General fund - schedule of expenditures – budget and actual	92 – 97
Exhibit B-6	Schedule of revenues, expenditures and changes in fund balances – budget and actual – Capital Projects and Information Systems Improvements Funds	98
Exhibit B-7	Capital projects fund schedule of actual revenues and other financing sources (uses) compared with estimated revenues	99 – 108
Exhibit B-8	Capital projects fund schedule of expenditures compared with authorizations	109 – 110
Exhibit B-9	Information systems improvement fund schedule of expenditures compared with authorizations	111
Exhibit B-10	Schedule of revenues and expenses – budget and actual – Water and Sewer Fund	112
Exhibit B-11	Schedule of revenues and expenses – budget and actual – Golf Course Fund	113
Exhibit B-12	Schedule of revenues and expenses – budget and actual – Chestnut Grove Cemetery Fund	114
Exhibit B-13	Schedule of revenues and expenses – budget and actual – Downtown Parking Enterprise Fund	115

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**STATISTICAL SECTION**

---

Table 1	Net position/assets by component	120
Table 2	Changes in net position/assets	121 – 123
Table 3	Program revenues by function/program	124
Table 4	Fund balances, governmental funds	125
Table 5	Changes in fund balances, governmental funds	126 – 127
Table 6	Tax revenues by source, governmental funds	128
Table 7	Assessed value and estimated actual value of taxable property	129
Table 8	Direct and overlapping property tax rates	130
Table 9	Principal property taxpayers	131
Table 10	Real property tax levies and collections	132
Table 11	Ratios of outstanding debt by type and general bonded debt outstanding	133
Table 12	Direct and overlapping governmental activities debt	134
Table 13	Legal debt margin information	135
Table 14	Bond coverage	136
Table 15	Demographic and economic statistics	137
Table 16	Principal employers	138
Table 17	Full-time equivalent town government employees by function/programs	139 – 140
Table 18	Operating indicators by function/program	141
Table 19	Capital asset statistics by function/program	142

---

**COMPLIANCE SECTION**

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	145 – 146
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November 22, 2013

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, 2013. The Herndon Town Charter, Section 4.2 (f), requires that the Town Manager arrange for an annual audit by a certified public accountant. In addition, Section 15.2-2511 of the *Code of Virginia* requires that all counties, cities and towns with populations greater than 3,500 as well as all towns with a separate school system, regardless of size, have their accounts and records audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia. This report is formally submitted to you in fulfillment of those requirements.

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

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

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

The town's financial statements have been audited by PBMares, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the town for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the report's financial section.

## **PROFILE OF THE TOWN**

The Town of Herndon, located in the northwest quadrant of Fairfax County, has a land area of 4.28 square miles and is situated twenty-three miles west of Washington, D. C. Incorporated in 1879, the town originally relied on dairy farming and the railroad to provide its economic security. The town was at one time in the heart of Northern Virginia's important dairy farming community. And, until about sixty years ago, it remained essentially a quiet country village where well-to-do Washingtonians rode the railroad to summer vacation homes. Since that time, the town's economic and demographic makeup has changed significantly. The estimated 2013 population is now 23,572 persons, housed in 7,894 dwelling units. If the town is developed according to the currently adopted Comprehensive Plan (master plan), it is anticipated that the 2030 population will increase to approximately 26,600 and 9,500 dwelling units.

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

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

## **ECONOMIC CONDITIONS AND OUTLOOK**

### **Local Economy**

Several economic and demographic factors heavily influence the town's revenue stream, including current and projected inflation rates, unemployment rates, retail sales volumes, new construction activities, real estate sales transactions, population movements and income per capita. For the past several years, Fairfax County has ranked in the top echelon of large U.S. counties with the highest median household incomes. According to the American Community Survey, the County's median household income for calendar year 2010 was \$105,797, the second highest in the nation for counties with populations of 250,000 or more.

During the past several years, Herndon has been recognized nationally by *Business Week*, *Money* magazines as well as CNN/Money.com and Forbes.com as one of the "best affordable suburbs" in the nation. In December 2012 the town achieved national recognition from the editors of Bloomberg/Business Week in their 2013 ranking of the best places to raise kids. The editors chose one community in each of the 50 states to compile the list. Herndon was recognized for its kid-friendly events and activities, including its many performances on the Town Green that are geared toward families and children. Also in December, the town captured the attention of editors at Forbes.com, who ranked Herndon as #12 in its listing of "America's

Friendliest Towns”, based on an assessment of 500 small metro areas with populations between 5,500 and 150,000. Herndon was cited specifically for its low unemployment rate, its community celebrations and its nature-themed festivals and initiatives.

Many economists believe that the national economy, which slid into recession in December 2007, is continuing to slowly recover. The town itself saw a 3.5 percent increase in its other local tax collections over the prior fiscal year. Many of these local taxes are dependent on consumer spending. Another hopeful sign is the U.S. unemployment rate which dropped from 8.1 percent in August 2012 to 7.3 percent in August 2013. Closer to home, Fairfax County’s unemployment rate, which peaked at 5.2 percent in June 2009 was at 4.1 percent by August 2013.

However, with the nation’s leadership still grappling with the federal budget and deficit, as well as the impacts of sequestration, many area employers, especially those tied to the defense industry, continue to hold off adding new jobs or expanding their operations until there is more certainty. The town’s economic base is heavily dependent on businesses which perform information technology and other IT-related services for both the public and private sectors. Within this group, a large portion of the work is performed for such federal agencies as defense and homeland security. Thus, major declines in federal contracting opportunities will have a significant adverse impact on the town’s business license assessments, meals tax collections and transient lodging tax collections as well as impact the value of its commercial properties and, over time, residential properties. On a more positive note, the town was excited to welcome Amazon to its new Worldgate offices in spring 2013. This new Amazon location will house the firm’s headquarters for internet services.

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 (which anticipates an eventual, palatable solution to the federal budget and deficit issues), assumes a continued modest rebound in property values for 2014 through 2016, 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 the 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**

The 2030 Vision Plan adopted by the Town Council calls for a future in which “history and heritage are respected” and in which “Herndon is the anchor of an expanded community where positive benefits extend beyond the town’s boundaries.” The 2030 Vision’s eight tenets are the cornerstone upon which all town initiatives are built.

The town’s 2030 Comprehensive Plan addresses the redevelopment of the areas surrounding access to the Herndon-Monroe rail station at the southern edge of the town. This transit station is part of Phase 2 of Dulles Rail, a project that is expected to bring the Washington area Metrorail system (dubbed the “Silver Line”) to the Herndon area by 2018. 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. Further, the town has developed a comprehensive plan amendment which was adopted by the Town Council in February 2012. This plan provides for large scale transit-

oriented mixed use redevelopment in the vicinity of the Herndon Metrorail Station. The final plan is anticipated to allow for redevelopment of existing low rise office and back office areas resulting in approximately 6.9 million square feet of high quality office, residential, hotel and retail space.

The town's close proximity to Washington Dulles International Airport provides a major stimulus for commercial development. The airport itself has completed a multi-billion dollar capital construction program resulting in a redesigned facility capable of accommodating significant increases in passenger traffic and airport operations. In fact, the entire Dulles Corridor, in which the town is centrally located, is on the cusp of a new era of growth. Over the next 25 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. A new financial policy adopted in the prior fiscal year was the creation of a revenue stabilization fund and guidelines for deposits to and withdrawals from the fund. 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 the intra and inter 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, 2013, the firm of PBMares, LLP was retained to perform this service. PBMares' reports on the financial statements and compliance matters are located in sections two and four of this report.

### **Awards and Designations**

#### **Tree City USA**

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

#### **Golf Course**

By continuing its tradition of providing high quality playing conditions and delivering premium value for the dollar, the golf course remains a *Golf Digest* "Place to Play" and is currently recognized with a three-star rating. During the fiscal year, the course retained its designation as a Certified Audubon Cooperative Sanctuary which requires continued commitment to maintaining a high degree of environmental quality, wildlife habitat management, public outreach and education.

#### **Parks and Recreation**

The department of Parks and Recreation received several recognitions and awards during fiscal year 2013, many of which were related to the 2012 Herndon Festival. The Washington Family Magazine survey identified the Herndon Festival as one of the area's best festivals or celebrations for families. The Virginia Recreation and Park Society and the International Festivals and Events Association chose such 2012 Herndon Festival efforts as the t-shirt design, festival sponsorship brochure, street banner and mobile app for awards.



## **Public Safety**

The Herndon Police Department was the third place winner in the state-wide Virginia Law Enforcement Challenge program. In addition, Herndon was recertified 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, 2012. This was the thirty-eight consecutive year that the government 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, 2012. This is the twenty-second 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 2013, the town's budget documents for the fiscal year beginning July 1, 2013 were submitted to GFOA for consideration of another Distinguished Budget Presentation Award.

## **ACKNOWLEDGEMENTS**

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

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

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

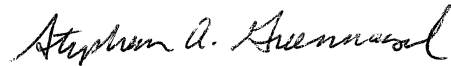
Respectfully submitted,



ARTHUR A. ANSELENE  
Town Manager



MARY K. TUOHY, CPA  
Director of Finance



STEPHAN A. GREENNAGEL, CPA  
Deputy Director of Finance



Government Finance Officers Association

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

Presented to

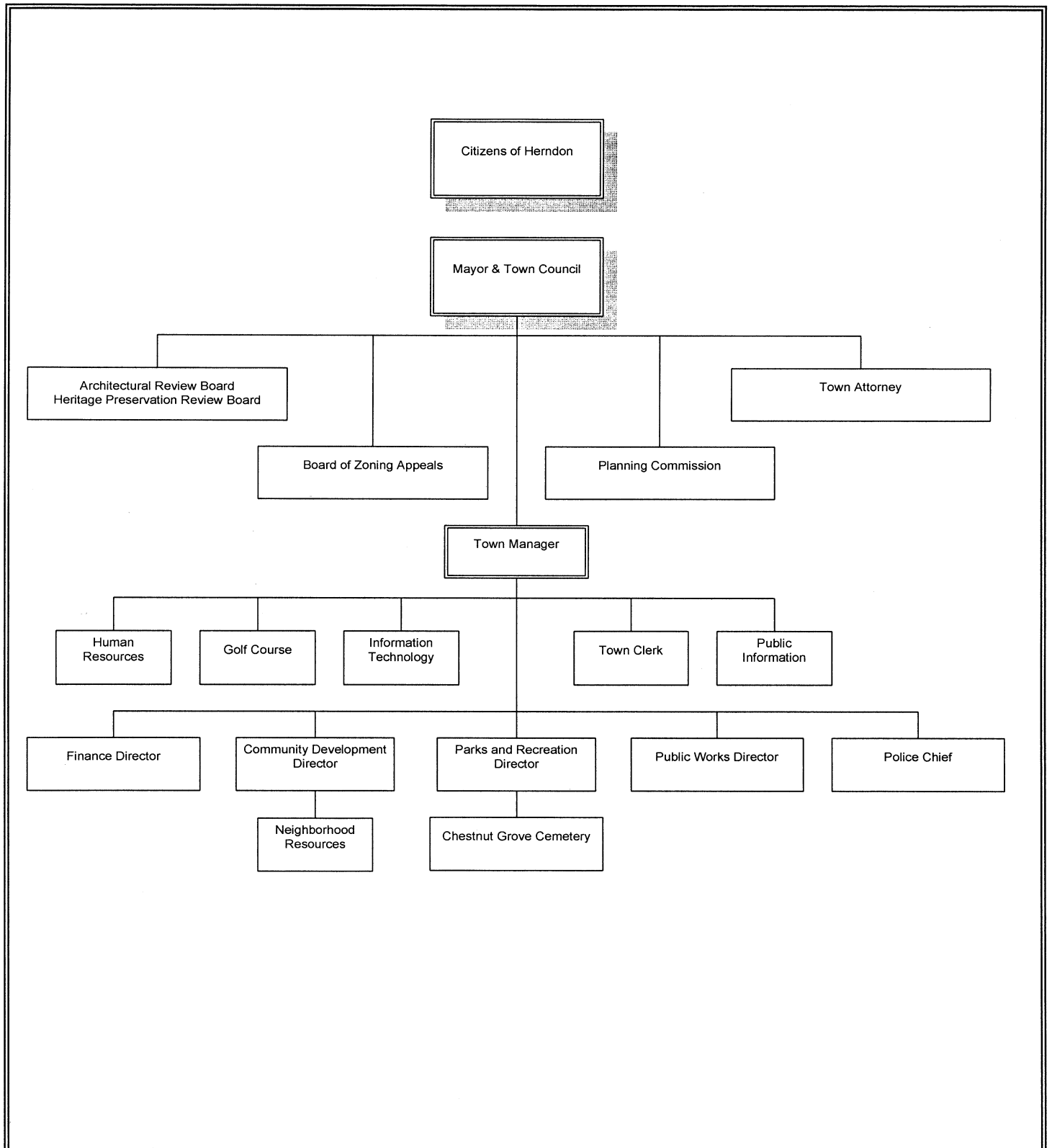
**Town of Herndon  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

TOWN OF HERNDON, VIRGINIA  
TOWN ORGANIZATION  
FISCAL YEAR 2012-2013





Comprehensive Annual Financial Report  
Year Ended June 30, 2013

Directory of Officials

TOWN COUNCIL

**Mayor**

Lisa C. Merkel

**Vice Mayor**

Connie Haines Hutchinson

C. Melissa Jonas

David A. Kirby

Sheila A. Olem

Charlie D. Waddell

Grace Han Wolf

MANAGEMENT TEAM

**Town Manager**

Arthur A. Anselene

**Town Attorney**

Richard B. Kaufman

**Town Clerk**

Viki L. Wellershaus

William H. Ashton, II

Robert B. Boxer

Anne P. Curtis

Maggie A. DeBoard

Gene A. Fleming

Elizabeth M. Gilleran

Cynthia S. Roeder

Linda A. Simmons

Mary K. Tuohy

Director of Information Technology

Director of Public Works

Public Information Officer

Chief of Police

Director of Golf Course Operations

Director of Community Development

Director of Parks and Recreation

Director of Human Resources

Director of Finance

**Independent Auditor**

PBMares, LLP

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



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

**FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Herndon, Virginia (town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 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.

*YB Mares, LLP*

Harrisonburg, Virginia  
November 14, 2013

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of the Town of Herndon, Virginia's (town) financial statements provides an overview of the town's financial performance for the fiscal year ended June 30, 2013. 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 assets of the town exceeded its liabilities at the close of the fiscal year by \$114.0 million (*total net position*). Of this amount, \$28.8 million (*unrestricted*) may be used to meet the town's ongoing obligations to citizens and creditors.
- The town's total net position decreased during the fiscal year by approximately \$341,000. The decline occurred mostly within the governmental activities and is related primarily to an increase in operating costs for such functional areas as general government administration, parks and recreation and police in comparison to the previous fiscal year. Though several key revenue sources such as general property taxes, other local taxes and intergovernmental aid fared quite well during the fiscal year, the increases were not sufficient to fund total governmental expenses. Also declining was the net investment in capital assets due to depreciation expense exceeding capital asset acquisitions during the year.
- Total capital assets (exclusive of depreciation and amortization) increased by \$2.6 million with the continuation or completion of several major capital projects, such as:
  - Constructing the Pearl, Nash, Oak and Wood Streets neighborhood improvements which included installing underground conveyance pipes to improve the public storm water drainage system within the area as well as new sidewalks, roadway improvements, and minor sanitary sewer system modifications;
  - Acquiring the final right-of-way easements and land purchases for the Station Street capital project as well as completing final engineering and design;
  - Undertaking preliminary engineering and conceptual planning for two intersection improvements along the Herndon Parkway, located at South Van Buren Street and at Sterling Road;
  - Constructing improvements along Dranesville Road beginning at Bennett Street and continuing to Park Avenue at Tyler Street. A raised median with landscaping and new street lights was installed as well as new bike lanes and dedicated turn lanes at various intersections;
  - Reconstructing the Town Maintenance Facility storm water pond, a project funded by Fairfax County's Stormwater Service District Tax collections;
  - Undertaking engineering and conceptual planning for several other streets capital projects such as Downtown Streets improvements, East Elden Street improvements, Park Avenue and Monroe Street intersection realignment, trail segments and new sidewalks;

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Constructing the Park Avenue water line replacement, from Monroe Street to Dranesville Road, and initiating preliminary engineering for the Locust, Pine and Station Streets water line improvements and the Center, Spring, and Elden Streets water line improvements; and
- Undertaking engineering and design of the retrofits to the Herndon Centennial Golf Course's stormwater pond, a project also funded by Fairfax County Stormwater Service District Tax collections.

These projects as well as equipment purchases, information technology enhancements and additional infrastructure donated by developers (such as streets, curbs, gutters, sidewalks, storm drainage facilities, and water and sewer mains) 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 \$19.5 million, an increase of \$164,000 over the previous fiscal year. The increase is related to a moderate (six percent) increase in the General Fund fund balance, offset by fund balance declines in capital projects and other governmental funds. Approximately 36 percent of the total governmental funds fund balance, which is \$7.1 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 slightly more than 23 percent of total General Fund expenditures, excluding transfers out from the fund.
- During the fiscal year, the town made its scheduled debt service payments which decreased the town's total bonded debt by \$1.7 million. The town's outstanding principal balance for total bonded debt was \$18.6 million at June 30, 2013.

#### **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 and liabilities, with the difference between the two 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.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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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).

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 Enterprise 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 Enterprise Fund.

# TOWN OF HERNDON, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 that 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."

### Financial Analysis of the Town as a Whole

Table 1 below presents a Summary Statement of Net Position for fiscal year 2013 in comparison to the previous fiscal year:

**TABLE 1**  
**Summary Statement of Net Position**  
**June 30, 2013 and 2012**  
**(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 29,905	\$ 29,891	\$ 18,055	\$ 17,685	\$ 47,960	\$ 47,576
Capital assets, net	83,374	84,734	17,239	17,501	100,613	102,235
<b>Total assets</b>	<b>113,279</b>	<b>114,625</b>	<b>35,294</b>	<b>35,186</b>	<b>148,573</b>	<b>149,811</b>
Current and other liabilities	10,188	10,290	1,778	1,505	11,966	11,795
Non-current liabilities	19,179	20,111	3,400	3,536	22,579	23,647
<b>Total liabilities</b>	<b>29,367</b>	<b>30,401</b>	<b>5,178</b>	<b>5,041</b>	<b>34,545</b>	<b>35,442</b>
Net Position:						
Net investment in capital assets	67,774	70,770	14,278	14,334	82,052	85,104
Restricted	3,156	-	-	-	3,156	-
Unrestricted	12,982	13,454	15,838	15,811	28,820	29,265
<b>Total net position</b>	<b>\$ 83,912</b>	<b>\$ 84,224</b>	<b>\$ 30,116</b>	<b>\$ 30,145</b>	<b>\$ 114,028</b>	<b>\$ 114,369</b>

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



## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### **Statement of Net Position:**

As previously described, 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 exceeded its liabilities by \$ 114.0 million. About 25 percent of the town's net position is unrestricted and available to meet the town's ongoing obligations to citizens and creditors. The larger net position 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).

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.

During the fiscal year, the town's governmental net position decreased by \$312,000 when compared to the prior fiscal year. The decrease is related primarily to an increase in operating costs for such functional areas as general government administration, parks and recreation, and police in comparison to the previous fiscal year. Though several key revenue sources such as charges for services, general property taxes, other local taxes and intergovernmental aid fared quite well during the fiscal year, the increases were not sufficient to fund total governmental expenses. In addition to governmental expense increases, the town transferred \$200,000 to the Downtown Parking Enterprise fund as a set aside for the future construction of a parking garage in the downtown. Also declining was the net investment in capital assets.

Total net position reported in connection with the town's business-type activities decreased by \$29,000. The decrease is tied to fiscal year-end net losses reported for the Water and Sewer Fund, Golf Course Fund and Chestnut Grove Cemetery Fund which ranged from a nominal \$9,000 to a significant \$162,000 in net position declines. In contrast, the Downtown Parking Enterprise Fund enjoyed a net position gain of \$209,000, due primarily to the governmental transfer described above. Further analysis concerning the nature of these gains and losses is discussed on the next page under "Business-type Activities."

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

##### **Governmental Activities**

**Revenues:** For the fiscal year ended June 30, 2013, revenue from governmental activities totaled \$33.3 million. Sources of revenue for fiscal year 2013 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, 2012, the assessed value of real property within the town increased eight percent over the prior year. The recent assessments confirm a slow, but steady, recapture of values lost during the "Great Recession" years of 2008 through 2010. With the increase in assessments, the town's general property tax collections increased \$670,000 over the prior fiscal year.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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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.

Remittances attributed to three of the town's four major local tax sources enjoyed an overall increase of eight percent in comparison to the prior fiscal year. A majority of the increase is tied to significant business license tax collections which surpassed the prior fiscal year's collections by 14 percent. It's important to note that these taxes are based on the prior calendar year's business gross receipts and do not reflect more recent economic activities, such as the impacts of federal sequestration which began in spring 2013. In this regard, the town's current fiscal year transient lodging tax collections were a better indicator of the effects of federal sequestration, with collections declining about seven percent when compared to the prior fiscal year.

In addition to general and other local taxes, the town received capital grants and contributions totaling \$1.9 million. Major grant-related capital projects undertaken this fiscal year included reconstructing the town maintenance facility storm water pond, final easement acquisitions and engineering as part of the Station Street improvements project; engineering and concept studies of two major street intersections along the Herndon Parkway; constructing improvements along Dranesville Road and purchasing one alternative-fuel (hybrid) vehicle. Also included in capital grants and contributions are a portion of the town's annual state allocation for highway maintenance and the value of developer-donated street and storm drainage infrastructure.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$33.5 million which is a one percent increase over the prior fiscal year. The increase in expenses was anticipated and included as part of the town's adopted budget for fiscal year 2013. The current fiscal year's budget authorized a two percent cost-of-living (COLA) pay adjustment for all regular full-time and part-time employees, effective July 1 and a 2.5 percent performance increase for sworn police personnel. Also, premium costs for employer-provided benefits, such as life insurance and health care, as well as a major cost shift in funding the town's employer-employee 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 76 percent of total governmental expenses.

#### **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 decreased the town's net position by \$29,000. The following page contains highlights of the financial activities for the town's enterprise funds.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Water and Sewer Fund: Total operating and nonoperating revenues amounted to \$6,783,000, with water and sewer availability fees and interest earnings (a combined \$324,000) accounting for approximately five percent of total revenues. Total user charges assessed for water sales and sewer services during the fiscal year increased by \$185,000 over the previous fiscal year. The increase reflects an entire fiscal year under the revised sewer commodity rate and quarterly service charges adopted during the prior fiscal year. These newer rates went into effect for billing purposes on January 1, 2012.

Operating expenses of the fund, which totaled \$7,064,000, included wholesale sewer conveyance charges of \$3.13 million, wholesale water purchases of \$1.20 million as well as \$134,000 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 declined during the fiscal year by \$162,000, even with the addition of developer donated assets valued at \$119,000.

Golf Course Fund: Total operating revenues amounted to \$1,459,000, which is a decrease of about two percent under the previous fiscal year. Revenues earned corresponds to the total number of golf rounds played (at 31,800) which also declined in comparison to the previous fiscal year. Over the past several years, fee refinements (such as resident weekday passes, sunset rates, single occupancy cart rates and discounted off-season rates) have been moderately successful in attracting new customers while retaining existing patrons. In addition to competitive rates, continued emphasis on excellent customer service and stocking high quality merchandise within an attractive pro shop setting have proven to be key elements of the course's long-standing success.

Operating expenses of the fund, which totaled \$1,552,000, included personnel costs, turf maintenance and other operating supplies, depreciation and amortization costs and other miscellaneous expenses. Throughout the fiscal year, on-going efforts were made to contain expenses without compromising levels of service. Also initiated during the fiscal year were engineering and design services for the course's stormwater pond retrofit. The cost of these services was funded through Fairfax County's Stormwater Service District Tax collections. Construction of the retrofits is expected to occur in mid-fiscal year 2014. Even with concerted cost saving measures and grant contributions, the fund's net position still declined by \$66,000 at fiscal year end.

Chestnut Grove Cemetery Fund: Total operating revenues amounted to \$730,000 and represent an increase of eight percent over the previous fiscal year. Most of the increase is attributed to the sale of cemetery sites and memorials with total receipts about 13 percent above the previous fiscal year. During the fiscal year, the cemetery sold 180 interment lots (including cremation sites), and performed 124 burials.

Operating expenses of the fund amounted to \$639,000 and included depreciation and amortization expenses attributed to the administration and maintenance buildings. Nonoperating expenses included \$91,000 in bond interest costs. At the conclusion of the fiscal year, the fund's net position declined by \$9,000.

Downtown Parking Enterprise Fund: Total operating and nonoperating revenues amounted to \$38,000 and consisted of annual parking maintenance fees; partial recovery of a previously written-off promissory note; and interest earnings on outstanding public shared parking promissory notes. Operating expenses of the fund totaled \$29,000 and included depreciation and amortization expenses of \$5,000. The fund also received a \$200,000 transfer-in from the General Fund which was set aside as "seed money" 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 \$209,000.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table summarizes the changes in net position for the town for the fiscal years ended June 30, 2013 and 2012:

**TABLE 2**  
**Summary of Changes in Net Position**  
**Fiscal Years Ended June 30, 2013 and 2012**  
**(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,544	\$ 4,352	\$ 8,096	\$ 7,874	\$ 12,640	\$ 12,226
Operating grants and contributions	1,649	1,672	278	392	1,927	2,064
Capital grants and contributions	1,882	2,570	180	50	2,062	2,620
<b>Total program revenues</b>	<b>8,075</b>	<b>8,594</b>	<b>8,554</b>	<b>8,316</b>	<b>16,629</b>	<b>16,910</b>
<b>General revenues:</b>						
General property taxes	10,154	9,484	-	-	10,154	9,484
Other local taxes	12,442	12,021	-	-	12,442	12,021
Use of money and property	452	899	81	548	533	1,447
Intergovernmental non-categorical aid	1,958	1,791	-	-	1,958	1,791
Miscellaneous	268	201	579	559	847	760
<b>Total general revenues</b>	<b>25,274</b>	<b>24,396</b>	<b>660</b>	<b>1,107</b>	<b>25,934</b>	<b>25,503</b>
<b>Total revenues</b>	<b>33,349</b>	<b>32,990</b>	<b>9,214</b>	<b>9,423</b>	<b>42,563</b>	<b>42,413</b>
<b>Expenses:</b>						
General government administration	5,262	4,995	-	-	5,262	4,995
Parks and recreation	4,608	4,360	-	-	4,608	4,360
Community development	2,127	2,139	-	-	2,127	2,139
Police	9,466	8,834	-	-	9,466	8,834
Public works	11,489	11,861	-	-	11,489	11,861
Interest	533	939	-	-	533	939
Water and sewer	-	-	7,065	7,174	7,065	7,174
Golf course	-	-	1,595	1,531	1,595	1,531
Chestnut Grove cemetery	-	-	730	687	730	687
Downtown parking	-	-	29	29	29	29
<b>Total expenses</b>	<b>33,485</b>	<b>33,128</b>	<b>9,419</b>	<b>9,421</b>	<b>42,904</b>	<b>42,549</b>
Change in net position before transfers	(136)	(138)	(205)	2	(341)	(136)
Transfers	(176)	(218)	176	218	-	-
Change in net position	(312)	(356)	(29)	220	(341)	(136)
Net position, July 1	84,224	84,580	30,145	29,925	114,369	114,505
Net position, June 30	\$ 83,912	\$ 84,224	\$ 30,116	\$ 30,145	\$ 114,028	\$ 114,369

## 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 \$9.4 million with the unassigned portion totaling \$7.1 million. This amount represents 23 percent of the General Fund's total expenditures for fiscal year 2013.

The Capital Projects Fund's fund balance contained an assigned portion of \$8.5 million at fiscal year-end which represents assets dedicated to subsequent years' capital expenditures.

The fund balance of the town's General Fund increased by \$572,000 during the fiscal year, which is significant since the final budgeted decline was projected at (\$1,560,000). Specific details concerning governmental financial activities are as follows:

#### Revenues:

- Based on the annual assessment as of January 1, 2012, the value of real property within the town increased eight percent over the prior year and affirmed that real properties assessments had regained some of the values lost during the prior three years. With the increase in assessments, the town's general property taxes increased \$697,000 (or about seven percent) over the prior fiscal year.
- Four of the town's eleven other local tax sources enjoyed moderate to significant increases over the previous fiscal year. These were right-of-way use fees, business license taxes, the town's share of local sales taxes, and meals taxes. Collections from permits, privilege fees and regulatory licenses also increased significantly in comparison to the prior fiscal year.
- The seven other local tax sources were either stagnant or declined in comparison to the previous fiscal year. These were consumer utility taxes, cigarette taxes, transient lodging taxes, bank stock taxes, cable TV franchise fees, utility consumption taxes, and motor vehicle licenses.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Court fees remitted from Fairfax County decreased about five percent under 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 reported an overall net loss of (\$1,500) in interest revenue during the fiscal year. The loss was due to the application of Governmental Accounting Standards Board (GASB) Statement Number 31 and its "mark to market" requirements. Even without this effect, during the fiscal year the Federal Reserve interest rates on overnight funds (fed funds) ranged from 0.00 to 0.25 percent. Interest rates on other, intermediate-term investment vehicles averaged about two percent. Revenue from interest on investments is highly dependent on Federal Reserve actions.
- Intergovernmental revenues, which totaled \$5,021,000, included grant reimbursements from Fairfax County totaling \$227,000 for 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 grant managed by the Department of Criminal Justice Service, street and highway maintenance funding, a pro-rata share of the state's fire fund monies, litter control grant and vehicle rental taxes. Also reimbursed were the Dranesville Road capital project and other VDOT revenue sharing capital projects.
- Federal grant receipts included reimbursements under the Gang Task Force program; various selective enforcement and other police grants under the federal Department of Justice and Department of Transportation; purchase of an alternative fuel pickup truck; and reimbursement of salary and benefits costs of the town's housing specialist under a US Department of Housing and Urban Development community development block grant administered by Fairfax County. Also reimbursed were costs associated with two Herndon Parkway intersection studies.

#### Expenditures:

- The town's adopted budget for fiscal year 2013 authorized a two percent cost-of-living (COLA) pay adjustment for all regular full-time and part-time employees which became effective July 1. As in the prior fiscal year, there was a continued freeze on merit pay increases for general employees. However, sworn police personnel were provided a 2.5 percent performance increase. In addition, there were premium increases for the Virginia Retirement System (VRS), life insurance and Line of Duty Act programs. The town's employer portion of VRS increased from 6.93 percent to 10.01 percent which alone added another \$440,000 in costs to the General Fund. Total additional employer-provided benefits and taxes for the General Fund increased about \$777,000 over the prior fiscal year.



## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Following a year of research, community input and creative development, the Town Council adopted a brand strategy for the town in September 2012. The new brand was promoted to the business community through direct mail; presentations to key groups and advertising campaigns in business-oriented media outlets. The strategy developed during the previous fiscal year to promote the town's restaurants was executed during fiscal year 2013. Staff worked with the town's marketing consultant to develop a new website that provides information on the town's restaurants and links to the restaurants' own sites. Expenditures for these undertakings totaled about \$125,000.
- Parks and recreation costs for the current fiscal year included staffing and operating costs associated with the Community Center operations. During the fiscal year, a new registration and reservation software package was launched which incorporated more user-friendly registration features than was available with the prior automated system. Also incurred were costs to continue the phased replacement of aging recreation equipment.
- Department of Community Development expenditures were only slightly less than the prior fiscal year. The department continued working on the town's two major planning initiatives which are preparation for the arrival of Metrorail's Silver Line to the south of town and downtown redevelopment.
- Police department expenditures for the fiscal year included acquiring needed replacement police cruisers and other public safety equipment and supplies. In addition, all sworn police personnel were eligible to receive a 2.5 percent merit increase effective on their individual anniversary dates. All town personnel, including sworn police, also received a two percent cost-of-living adjustment effective July 1, 2012.
- Costs in the Department of Public Works are related to the maintenance of town streets, sidewalks, storm drainage, grounds, buildings, park lands and other town-owned or town-managed facilities. During the fiscal year, the town performed several major building maintenance activities including upgrades to the Herndon Municipal Center electronic building access and HVAC controls; replacing the HVAC units at the 397 Herndon Parkway and replacing the fire alarm panel in the Aquatics area of the Community Center. Repaving activities undertaken during the fiscal year included the outside loop of the Herndon Parkway from Elden Street to Spring Street as well as certain sections of Spring Street and east Elden Street. Also included were costs for repair, maintenance and fuel for the town's fleet of vehicles and equipment.
- Total debt service payments for the current fiscal year were \$154,000 less than the previous fiscal year primarily due to reduced interest payments.
- During the fiscal year, the town incurred \$1.7 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 discussed later.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2013 the unrestricted net position for each of the four enterprise funds were as follows:

- Water and Sewer Fund with an amount of \$13,689,000
- Golf Course Fund with an amount of \$810,000
- Chestnut Grove Cemetery Fund with an amount of \$312,000
- Downtown Parking Enterprise Fund with an amount of \$1,027,000

### GENERAL FUND BUDGETARY HIGHLIGHTS

In developing the town's fiscal year 2013 budget and CIP program, the 2030 Vision Plan adopted by the town council in December 2010 (along with the individual goals and objectives contained in the Plan) provided staff with overall guidance. Goals and objectives specific to the development and execution of the fiscal year 2013 budget were:

- Maintain the town's real estate tax, meals tax and all other local taxes at their current rates.
- Continue to allocate resources to strategic capital projects such as major road improvements, downtown redevelopment and planning for Metrorail's Silver Line.
- Implement economic development strategies to enhance the town's economic base, including the branding initiative.
- Continue to allocate \$750,000 of the town's meal tax collections to support downtown utility relocation, major road repaving, future funding of a downtown parking garage, and targeted promotion of the town's restaurant industry.
- Continue to advance neighborhood improvement projects.
- Obtain grants and seek alternative funding options for transportation enhancements, park facilities and police equipment and operations.

The total adopted fiscal year 2013 budget, including inter-fund transfers, was \$32,294,000 which is about six percent more than the original budget for fiscal year 2012. Most of the increase is related to personnel costs, which included a two-percent cost-of-living (COLA) increase for all employees; a 2.5 percent merit increase for police officers and a five-percent salary adjustment for employees participating in the Virginia Retirement System (VRS). In exchange for the five percent pay adjustment, all VRS employees now pay the "employee five-percent portion" of the town's VRS contributions, as required by legislation passed in the 2012 Virginia General Assembly session. As of July 2012, the town began funding only the "employer portion" of the VRS contributions.

Based on the revenue restructuring introduced ten years ago and further augmented by the Town Council's fiscal year 2012 adopted increase in the town's meal tax rate to 2.5 percent, projected revenue for fiscal year 2013 assumed a continued, slow improvement in local economic conditions for consumer-related revenues. The real estate assessment at January 1, 2012 (residential and commercial combined) was approximately \$3.734 billion which was an increase of eight percent over the assessments at January 1, 2011. About two-thirds of the increase in assessed values was tied to the commercial property sector.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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At the conclusion of the fiscal year, actual revenues were \$665,000 (or about two percent) more than final budgeted amounts. Much of this variance is related to substantial collection increases in other local taxes, permits and privilege fees, and intergovernmental revenues. Actual revenues attributed to the use of money and property (which is interest earnings and rental income) were \$295,000 (or about 42 percent) less than projected due to the application of GASB 31 and its negative effect on interest income. In addition, a portion of the town's rental space at 397 Herndon Parkway was unoccupied during the fiscal year.

#### Revenues:

- Real property assessment values as of January 1, 2012 increased overall by eight percent above assessments for the previous year, with the commercial sector of the tax base experiencing an overall assessment growth of ten percent, followed by the residential sector with a growth of five percent. The town's real estate tax rate remained at \$0.2650 per \$100 of assessed which was the same rate as the prior fiscal year.
- Actual real estate tax collections were about \$57,000 less than projected due to property assessment exonerations generated by Fairfax County during the fiscal year and the value of tax relief granted to qualified elderly and disabled residents. Real property assessments of land and buildings within the county and its towns, as well as subsequent supplements and exonerations, are conducted by the county's Division of Real Estate Assessment. These assessments, supplements and exonerations are used by the town to levy the town's own real estate taxes.
- Remittances attributed to three of the town's four major local taxes enjoyed an overall increase of 12 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 23 percent. However, the impacts of federal sequestration had a significant negative effect on transient lodging tax collections which achieved only 90 percent of the budget projection. Combined collections from other local tax sources for fiscal year 2013 were four percent (or about \$511,000) above the budgeted amount for the fiscal year.
- Actual revenues from permits, privilege fees and regulatory licenses also exceeded budgeted amounts by \$231,000 or 67 percent over the estimate. The current fiscal year saw reinvigorated developer and construction activities with the start of the Monroe Hill residential subdivision and several tenant build-out projects initiated in the Worldgate commercial area.
- Interest earnings and rental payments together were 42 percent below budget projections due to the application of GASB 31 and its negative effect on interest income. The town's commercial property at 397 Herndon Parkway was only partially leased during the fiscal year and contributed \$454,000 in rental payments to the town. The town had budgeted almost \$493,000 from this revenue source.
- Actual revenue from charges for services was about one percent (or \$24,000) above budgeted amounts. The modest increase is mainly attributed to growth in recycling fees, recreation program fees, Herndon Festival revenues and fees from the indoor-tennis/ multi-use facility.

## TOWN OF HERNDON, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Overall, total actual intergovernmental revenues were about eight percent above projected amounts. A substantial portion of the increase was from an unexpected \$187,000 contribution from Fairfax County's storm water district tax collections. The proceeds were received in late June and were to assist the town in offsetting a portion of its storm water operating and maintenance costs incurred during the fiscal year. Receipts from the town's share of the state's communications sales and use tax were about five percent above projections. In addition, a \$40,000 grant reimbursement was received under the Congestion Mitigation and Air Quality Improvement (CMAQ) for the purchase of alternative fuel pickup truck. The CMAQ grant was not included as part of the town's fiscal year 2013 budget.

#### Expenditures:

A large variance of \$1.786 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 all operating departments (with the exception of legislative, police, and grants) were less than the final budgets due to less than anticipated operating costs in such areas as economic development, outside attorney services, 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 2014 budget. Also favorably impacting the budget were vacancy savings throughout the fiscal year, much of which was attributed to several vacant public works positions. In addition, the original budget was increased by \$1,001,000 through the first budget amendment enacted in July 2012. This budget amendment established the fiscal year 2013 carry-over appropriations for outstanding purchase orders and authorized reserves as of June 30, 2012.
- There were no budgeted amounts for such grant expenditures as federal pass-through grants administered by the State police, DMV and the Department of Justice grant for police gang task force activities.

**TOWN OF HERNDON, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

The town's investment in capital assets at June 30, 2013, 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 also displayed.

**TABLE 3**  
**Summary Capital Assets**  
**June 30, 2013 and 2012**  
**(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Capital assets, not being depreciated or amortized:						
Land and easements	\$ 25,875	\$ 25,828	\$ 3,418	\$ 3,418	\$ 29,293	\$ 29,246
Construction in progress	570	947	286	158	856	1,105
<b>Total capital assets, not being depreciated or amortized</b>	<b>26,445</b>	<b>26,775</b>	<b>3,704</b>	<b>3,576</b>	<b>30,149</b>	<b>30,351</b>
Capital assets, being depreciated or amortized:						
Infrastructure	78,511	76,710	-	-	78,511	76,710
Buildings	40,462	40,463	3,580	3,580	44,042	44,043
Improvements other than buildings	10,285	10,173	29,264	28,637	39,549	38,810
Machinery and equipment	9,922	9,797	2,601	2,572	12,523	12,369
Furniture and fixtures	1,751	1,750	207	208	1,958	1,958
Intangibles	1,281	1,194	268	269	1,549	1,463
<b>Total capital assets, being depreciated or amortized</b>	<b>142,212</b>	<b>140,087</b>	<b>35,920</b>	<b>35,266</b>	<b>178,132</b>	<b>175,353</b>
<b>Less total accumulated depreciation and amortization</b>	<b>(85,283)</b>	<b>(82,128)</b>	<b>(22,385)</b>	<b>(21,341)</b>	<b>(107,668)</b>	<b>(103,469)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>56,929</b>	<b>57,959</b>	<b>13,535</b>	<b>13,925</b>	<b>70,464</b>	<b>71,884</b>
<b>Capital assets, net</b>	<b>\$ 83,374</b>	<b>\$ 84,734</b>	<b>\$ 17,239</b>	<b>\$ 17,501</b>	<b>\$100,613</b>	<b>\$102,235</b>

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

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

- Pearl, Nash, Oak and Wood Streets Improvements: This multi-year capital project included the installation of underground storm water conveyance pipes; new sidewalk and roadway improvements and minor sanitary sewer system modifications. Final construction phases of this project were completed in fall 2012 and followed by street repaving during the spring.
- Station Street Improvements: This multi-year capital project included acquisition of right-of-way easements and land purchases which were needed before construction could begin. Improvements to the street include the installation of curb and gutter, sidewalks, storm drains, undergrounding of overhead utility lines, and new water lines in various sections of Station Street from Pine Street to Park Avenue. Actual road reconstruction will begin in fiscal year 2014, after overhead utilities are successfully undergrounded during the summer and fall of 2013.
- Herndon Parkway Intersections Studies: A few years ago, the town was successful in securing federal Regional Surface Transportation Program (RTSP) funding which provides for significant transportation improvements in order to relieve congestion and improve safety. This funding supports preliminary engineering, design and environmental compliance for intersection improvements. The town has targeted South Van Buren Street and Herndon Parkway and Sterling Road/Herndon Parkway as priorities. During the fiscal year, several different conceptual plans were developed and presented for both of these intersections.
- Dranesville Road Improvements: This capital project included several enhancements to Dranesville Road beginning at Bennett Street and continuing to Park Avenue at Tyler Street. A raised median with landscaping and new street lights were installed as well as new bike lanes and dedicated turn lanes at various intersections. The most important feature of the project is the traffic calming affect the street's new configuration provides. This has added significantly to overall vehicle, bicycle, and pedestrian safety within the area.
- Storm Water Management/ Chesapeake Bay Regulations: This program anticipates new federal requirements for stormwater management for the town to comply with Chesapeake Bay pollution limits. These requirements will be a component of the town's General Virginia Stormwater Management Program permit. At this time, the town's estimated capital investment is significant, but as yet undetermined amount. The town will continue to work with the state to determine the specific regulatory requirements. In the meantime, the town has successfully pursued its share of funding from the Fairfax County Stormwater Service District Tax to alleviate impact on the General Fund. During the fiscal year, the Town Maintenance Facility pond was constructed, tapping into this new source of county funding.
- Other Street Projects: During the fiscal year, engineering and conceptual planning were undertaken for several other streets capital projects such as Downtown Street Improvements, East Elden Street Improvements, Park Avenue and Monroe Street Intersection, trail segments and new sidewalks.

- **Information Systems Improvements:** Included as an integral component of the town's information systems and telecommunications master plan is the systematic replacement of older PC's, file servers and laptops on a lifecycle basis. During the fiscal year, approximately \$19,000 was expended on replacement of older desktop PCs and network printers. A request for proposals to replace the town's financial and human resources software suites was issued in fall 2012 with the guidance and assistance of an information technology consulting firm. The town received three proposals to its solicitation. A final selection and recommendation for contract award is anticipated for town Council action during the second quarter of fiscal year 2014. Also completed during the fiscal year was the successful implementation of the parks and recreation department's new enterprise software solution, Vermont Systems RecTrac.
- **Waterline and Sewer Main Replacement Projects:** Construction of the Park Avenue water line replacement, from Monroe Street to Dranesville Road, was completed during the fiscal year. Preliminary engineering for two new water line projects was also begun during the year. These were the Locust, Pine and Station Streets water line improvements and the Center, Spring, and Elden Streets water line improvements. Actual project construction is anticipated to begin in late summer and extend into fall 2013. Repairs to a damaged 15-inch sewer main which crosses under the Washington & Old Dominion (W&OD) recreational trail was also undertaken without any disruption to service or required closing of the trail.
- **Golf Course:** During the fiscal year, engineering and design of the retrofits to the course's stormwater pond were undertaken and funded by Fairfax County Stormwater Service District Tax collections. These retrofits will increase the pond volume and improve the treatment of stormwater runoff in the fallout area. Construction of the improvements is anticipated during the second quarter of fiscal year 2014.

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

#### LONG-TERM DEBT

At June 30, 2013, the town's long-term liabilities, exclusive of compensated absences, other postemployment benefits, and amounts to be repaid within one year, totaled \$16,817,000. Of this amount, \$14,059,000 is a liability attributed to governmental activities with the remaining \$2,758,000 attributed to business-type activities. The Town's available legal debt margin, as permitted by the Commonwealth of Virginia, is \$357 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, 2013 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>
23,572	\$ 3,727,733,294	\$ 15,599,958	.0042	\$ 662

In July 2012, Fitch Ratings, Inc. issued a press release concerning its bi-annual surveillance review of the town's finances and management. The firm reaffirmed the town's credit rating of "AAA" and noted in particular the town's adherence to good debt management guidelines and low overall debt levels. The town also has ratings from Moody's Investors Service, Inc. (designed as "Aaa") and Standard & Poor's (designed as "AAA"). These credit ratings are one of the highest among towns in Virginia.

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

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

The following economic factors are reflected in the town's adopted budget for fiscal year 2014:

- Based on the most recently completed annual reassessment, the assessed value of real property within the town was \$3,872,810,950 as of January 1, 2013. When compared to the total assessed values at January 1, 2012, this amount represents a combined four percent increase, with residential properties increasing about ten percent and commercial properties decreasing two percent. These latest numbers are just slightly less than the assessment values as of January 2009, though still remain substantially below the ten-year high mark achieved in 2008.
- 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 the prior fiscal year's budget, \$750,000 of meals tax revenue will be used to finance the following four initiatives:
  - Continue implementing the core strategies recommended by the town's Economic Development Task force, to include a branding initiative for the town, at \$75,000;
  - Continue major road repaving at \$325,000;
  - Continue funding the downtown utility relocation project at \$150,000; and
  - Continue to dedicate funds toward a future parking garage in the downtown at \$200,000.
- Unlike the fiscal years of 2006 through 2008, which enjoyed an expanding local economy, consumer-sensitive revenue sources declined over the recent past, with downward trends noted through fiscal year 2010. These retractions continue to exert some influence on today's economic realities and temper future economic projections. Of more immediate concern is the effect federal sequestration will have on the town's consumer-sensitive excise taxes and business license fees. The second half of fiscal year 2013 witnessed some of these effects, particularly in the area of business travel and transient lodging tax collections. What further influence federal sequestration will have on economic activity in the town and greater Washington metropolitan area is still to be seen.
- The July 2013 unemployment rate in Fairfax County (which includes the Town of Herndon) is estimated at 4.3 percent compared to the actual rate of 4.2 percent in July 2012. In comparison, Virginia's seasonally unadjusted unemployment rate for July 2013 is 5.7 percent and the U.S. unemployment rate is estimated at 7.4 percent.



The total adopted fiscal year 2014 budget, including inter-fund transfers, is \$49,603,300 which is about seven percent more than the original budget for fiscal year 2013. Most of the increase is related to major capital projects such water tank repainting; installing booster pump stations and transportation access improvements to the future Herndon Metrorail area as well as several other on-going street projects.

A new economic development manager position was authorized by the town council as part of the 2013 budget. The position was filled in June 2013 with the new employee on board in September 2013.

Four vacant positions will remain vacant (i.e., “frozen”) and unfunded for fiscal year 2014. These positions are two police officers, a senior accounting technician and an assistant work crew supervisor in the refuse division. 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.

The fiscal year 2014 budget for all capital projects and information systems improvements (all funds) is \$7.6 million, which is an increase of \$3.3 million over fiscal year 2013.

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:

- \$200,000 to install lighting along the downtown portion of the W&OD Trail, between Van Buren Street and Ferndale Avenue. Over the years, popularity of the W&OD Trail as another route to access the downtown has grown. Lighting will allow for night use of the trail and provide pedestrian safety.
- \$225,000 to begin creating vehicular and pedestrian access to the north side vicinity of the future Herndon Metrorail station. A drop-off lane is proposed to accommodate buses and allow drivers to drop off Metrorail passengers in a safe manner. A reallocation of available CMAQ grant funds will cover the initial design and construction costs.
- \$600,000 to continue the study and eventual construction of significant transportation improvements at three major Herndon Parkway intersections (Herndon Parkway/ Sterling Road; Herndon Parkway/ Van Buren Road; and Herndon Parkway/ Spring Street). Funding for this project is through a federal Regional Surface Transportation Program (RSTP) grant.
- \$1,400,000 for the Station Street improvements which include streetscape amenities, streetlights, curb, gutter and local drainage improvements. The project will widen and improve Station Street from Pine Street to Park Avenue. Fifty percent of the project’s construction costs will be funded through VDOT’s Revenue Sharing grant program.
- \$290,000 for information technology projects, including costs to replace the police department’s telecommunications systems and to secure consulting services for redesigning the town’s website.
- \$2,785,000 for water and sewer capital projects, including initial engineering evaluations, capacity studies, surveys and design for expansion of the water and sewer systems into the future Herndon Metrorail development area. Also budgeted for fiscal year 2014 is routine maintenance work followed by repainting of two town water tanks and installing three booster pump stations.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

## TOWN OF HERNDON, VIRGINIA

Exhibit A-1

## STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 19,578,359	\$ 16,561,840	\$ 36,140,199
Cash with fiscal agent	3,156,244	-	3,156,244
Receivables, net:			
Property taxes	5,188,730	-	5,188,730
Trade and other accounts	638,129	1,341,850	1,979,979
Accrued interest	87,707	74,588	162,295
Due from other governments	693,208	-	693,208
Inventories	149,721	61,548	211,269
Prepaid costs	51,580	5,683	57,263
Notes receivable	-	101,460	101,460
Internal balances	151,980	(151,980)	-
Deferred bond costs, net of accumulated amortization	209,665	59,451	269,116
Capital assets:			
Land	25,871,692	3,418,338	29,290,030
Easements	3,498	-	3,498
Infrastructure	78,510,806	-	78,510,806
Buildings	40,462,681	3,579,748	44,042,429
Improvements other than buildings	10,285,047	29,263,744	39,548,791
Machinery and equipment	9,921,659	2,600,894	12,522,553
Furniture and fixtures	1,750,436	207,558	1,957,994
Intangibles	1,280,778	268,609	1,549,387
Construction in progress	570,175	285,700	855,875
Less: accumulated depreciation and amortization	(85,282,870)	(22,385,301)	(107,668,171)
<b>Total assets</b>	<b>113,279,225</b>	<b>35,293,730</b>	<b>148,572,955</b>
<b>LIABILITIES</b>			
Accounts payable	545,774	1,151,435	1,697,209
Accrued payroll	991,862	101,864	1,093,726
Accrued liabilities - other	1,715,733	257,515	1,973,248
Accrued interest	196,348	-	196,348
Unearned revenue	5,131,475	27,840	5,159,315
Customer deposits and contingent charges	1,607,030	238,754	1,845,784
Noncurrent liabilities:			
Due within one year:			
Compensated absences	520,310	17,861	538,171
Notes payable	138,999	-	138,999
Bonds payable	1,401,721	203,279	1,605,000
Due in more than one year:			
Compensated absences	1,762,054	247,132	2,009,186
Notes payable	1,451,514	-	1,451,514
Bonds payable	12,607,724	2,758,324	15,366,048
Other postemployment benefits (OPEB)	1,296,334	173,911	1,470,245
<b>Total liabilities</b>	<b>29,366,878</b>	<b>5,177,915</b>	<b>34,544,793</b>
<b>NET POSITION</b>			
Net investment in capital assets	67,773,944	14,277,687	82,051,631
Restricted	3,156,244	-	3,156,244
Unrestricted	12,982,159	15,838,128	28,820,287
<b>Total net position</b>	<b>\$ 83,912,347</b>	<b>\$ 30,115,815</b>	<b>\$ 114,028,162</b>

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
			Grants	Contributions				
<b>Governmental activities:</b>								
Legislative	\$ 640,816	\$ -	\$ -	\$ -	-	\$ (640,816)	\$ -	\$ (640,816)
Administration	2,744,129	19,606	-	-	-	(2,724,523)	-	(2,724,523)
Town attorney	497,761	-	-	-	-	(497,761)	-	(497,761)
Parks and recreation	4,608,079	2,826,309	-	-	-	(1,781,770)	-	(1,781,770)
Finance	1,379,724	512,690	-	-	-	(867,034)	-	(867,034)
Community development	2,127,055	-	130,823	-	-	(1,996,232)	-	(1,996,232)
Police	9,465,667	498,279	627,749	-	-	(8,339,639)	-	(8,339,639)
Public works	11,488,561	687,130	890,712	1,881,507	-	(8,029,212)	-	(8,029,212)
Interest	533,155	-	-	-	-	(533,155)	-	(533,155)
<b>Total governmental activities</b>	<b>33,484,947</b>	<b>4,544,014</b>	<b>1,649,284</b>	<b>1,881,507</b>	<b>1,881,507</b>	<b>(25,410,142)</b>	<b>-</b>	<b>(25,410,142)</b>
<b>Business-type activities:</b>								
Water and sewer	7,064,425	6,007,380	277,902	119,085	-	-	(660,058)	(660,058)
Golf course	1,595,145	1,392,960	-	61,160	-	-	(141,025)	(141,025)
Chestnut Grove cemetery	729,837	695,230	-	-	-	-	(34,607)	(34,607)
Downtown parking	29,390	-	-	-	-	-	(29,390)	(29,390)
<b>Total business-type activities</b>	<b>9,418,797</b>	<b>8,095,570</b>	<b>277,902</b>	<b>180,245</b>	<b>180,245</b>	<b>(865,080)</b>	<b>-</b>	<b>(865,080)</b>
<b>Total government</b>	<b>\$ 42,903,744</b>	<b>\$ 12,639,584</b>	<b>\$ 1,927,186</b>	<b>\$ 2,061,752</b>	<b>\$ 2,061,752</b>	<b>(25,410,142)</b>	<b>(865,080)</b>	<b>(26,275,222)</b>
<b>General Revenues:</b>								
Taxes:								
General property						10,153,920	-	10,153,920
Business licenses						4,481,963	-	4,481,963
Transient occupancy						2,088,149	-	2,088,149
Local sales						1,668,325	-	1,668,325
Meals						2,008,529	-	2,008,529
Other local taxes						2,195,384	-	2,195,384
Revenues not restricted to specific programs						82,940	-	82,940
Intergovernmental, non-categorical aid						1,957,744	-	1,957,744
Use of money and property						451,965	80,894	532,859
Miscellaneous						184,899	579,466	764,365
Transfers						(175,892)	175,892	-
Total general revenues and transfers						25,097,926	836,252	25,934,178
<b>Change in net position</b>						<b>(312,216)</b>	<b>(28,828)</b>	<b>(341,044)</b>
Net position, July 1						84,224,563	30,144,643	114,369,206
Net position, June 30						\$ 83,912,347	\$ 30,115,815	\$ 114,028,162

See Notes to Financial Statements.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-3**  
**Page 1**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 12,170,785	\$ 5,823,776	\$ 1,583,798	\$ 19,578,359
Cash with fiscal agent	-	3,156,244	-	3,156,244
Receivables (net of allowance for doubtful accounts):				
Property taxes	5,188,730	-	-	5,188,730
Accounts and other services	610,959	27,170	-	638,129
Accrued interest	64,316	19,467	3,924	87,707
Due from other governments	693,208	-	-	693,208
Inventories	149,721	-	-	149,721
Prepaid costs	51,580	-	-	51,580
Advances to other funds	195,480	-	-	195,480
<b>Total assets</b>	<b>\$ 19,124,779</b>	<b>\$ 9,026,657</b>	<b>\$ 1,587,722</b>	<b>\$ 29,739,158</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-3

Page 2

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 484,786	\$ 35,643	\$ 25,345	\$ 545,774
Accrued payroll	991,862	-	-	991,862
Accrued liabilities - other	1,370,316	345,417	-	1,715,733
Deferred revenue	5,383,591	-	-	5,383,591
Deposits	1,510,083	96,947	-	1,607,030
Advances from other funds	-	43,500	-	43,500
<b>Total liabilities</b>	<b>9,740,638</b>	<b>521,507</b>	<b>25,345</b>	<b>10,287,490</b>
Fund Balances:				
Nonspendable:				
Inventories	149,721	-	-	149,721
Prepaid costs	51,580	-	-	51,580
Loan to Capital Projects Fund	43,500	-	-	43,500
Loan to Cemetery Fund	151,980	-	-	151,980
Committed:				
Cemetery perpetual care	-	-	1,444,382	1,444,382
Revenue stabilization	400,000	-	-	400,000
Assigned:				
Operating materials, services and supplies	308,941	-	-	308,941
Capital equipment and vehicles	440,311	-	-	440,311
Subsequent years' expenditures for:				
General Fund	728,924	-	-	728,924
Capital Projects Fund	-	8,505,150	-	8,505,150
Other governmental funds	-	-	117,995	117,995
Unassigned:				
General Fund	7,109,184	-	-	7,109,184
<b>Total fund balances</b>	<b>9,384,141</b>	<b>8,505,150</b>	<b>1,562,377</b>	<b>19,451,668</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,124,779</b>	<b>\$ 9,026,657</b>	<b>\$ 1,587,722</b>	<b>\$ 29,739,158</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, 2013**

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Total Fund Balances - Governmental Funds	\$	19,451,668
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Amounts reported for governmental activities  
in the Statement of Net Position are different because:

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

Governmental capital assets	\$	168,656,772	
Less accumulated depreciation and amortization		(85,282,870)	
Net capital assets			83,373,902

Deferred revenue represents amounts that were not available to fund current expenditures, and, therefore, is not reported as revenue in the governmental funds.		252,116
--	--	---------

Long-term debt issuance costs are deferred and amortized in the Statement of Activities but the effect of issuance costs are recorded in the governmental funds in the current period.		209,665
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Long-term liabilities, including bonds payable,  
are not due and payable in the current period and,  
therefore, are not reported as liabilities in the  
governmental funds.

Bonds payable, including unamortized premiums and discounts	(14,009,445)	
Notes payable	(1,590,513)	
Compensated absences	(2,282,364)	
Interest payable	(196,348)	
Other postemployment benefits	(1,296,334)	
		(19,375,004)

<b>Net position of governmental activities</b>	<b>\$</b>	<b>83,912,347</b>
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**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-5**  
**Page 1**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 10,166,799	\$ -	\$ -	\$ 10,166,799
Other local taxes	12,442,350	-	-	12,442,350
Permits, privilege fees and regulatory licenses	576,155	-	-	576,155
Fines and forfeitures	491,067	-	-	491,067
Use of money and property	401,599	32,088	18,278	451,965
Charges for services	3,550,572	-	-	3,550,572
Miscellaneous	56,708	100,000	-	156,708
Intergovernmental	4,445,880	574,743	-	5,020,623
<b>Total revenues</b>	<b>32,131,130</b>	<b>706,831</b>	<b>18,278</b>	<b>32,856,239</b>
<b>Expenditures:</b>				
Current:				
Legislative	633,519	-	-	633,519
Administration	2,249,139	-	-	2,249,139
Town attorney	494,245	-	-	494,245
Parks and recreation	3,851,099	-	-	3,851,099
Finance	1,302,849	-	-	1,302,849
Community development	2,051,139	-	-	2,051,139
Police	9,053,956	-	-	9,053,956
Public works	9,172,971	-	-	9,172,971
Grants	38,171	-	-	38,171
Capital outlay	-	1,513,170	186,302	1,699,472
Debt service:				
Principal	1,505,093	-	-	1,505,093
Interest and fiscal charges	494,954	-	-	494,954
<b>Total expenditures</b>	<b>30,847,135</b>	<b>1,513,170</b>	<b>186,302</b>	<b>32,546,607</b>
<b>Revenues over (under) expenditures</b>	<b>1,283,995</b>	<b>(806,339)</b>	<b>(168,024)</b>	<b>309,632</b>



TOWN OF HERNDON, VIRGINIA

Exhibit A-5  
Page 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 29,876	\$ -	\$ -	\$ 29,876
Transfers in	-	457,100	127,387	584,487
Transfers out	(742,100)	-	(18,279)	(760,379)
<b>Total other financing sources (uses), net</b>	<b>(712,224)</b>	<b>457,100</b>	<b>109,108</b>	<b>(146,016)</b>
<b>Net change in fund balances</b>	<b>571,771</b>	<b>(349,239)</b>	<b>(58,916)</b>	<b>163,616</b>
Fund balances, July 1	8,812,370	8,854,389	1,621,293	19,288,052
Fund balances, June 30	\$ 9,384,141	\$ 8,505,150	\$ 1,562,377	\$ 19,451,668

**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, 2013**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ 163,616	
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 depreciation and amortization exceeded capital outlays in the current period.		
Expenditure for capital assets	\$ 1,784,169	
Less depreciation and amortization expense	(3,458,836)	
Excess of depreciation and amortization over capital outlay		(1,674,667)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position:		
Loss on disposal of capital assets	(144,561)	
Donated capital assets	458,718	
		314,157
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		3,790
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		1,505,093
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	(22,154)	
Compensated absences	(247,604)	
Other postemployment benefits	(338,400)	
Capitalized financing costs	(10,645)	
Amortization of premium, discounts and financing costs	(5,402)	
		(624,205)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(312,216)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-7  
Page 1STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Revenues:</b>				
General property taxes	\$ 10,224,000	\$ 10,224,000	\$ 10,166,799	\$ (57,201)
Other local taxes	11,931,000	11,931,000	12,442,350	511,350
Permits, privilege fees and regulatory licenses	345,000	345,000	576,155	231,155
Fines and forfeitures	584,000	584,000	491,067	(92,933)
Use of money and property	697,000	697,000	401,599	(295,401)
Charges for services	3,526,690	3,526,690	3,550,572	23,882
Miscellaneous	28,000	28,000	56,708	28,708
Intergovernmental	4,130,400	4,130,400	4,445,880	315,480
<b>Total revenues</b>	<b>31,466,090</b>	<b>31,466,090</b>	<b>32,131,130</b>	<b>665,040</b>
<b>Expenditures:</b>				
Current:				
Legislative	604,320	626,270	633,519	7,249
Administration	2,304,630	2,561,658	2,249,139	(312,519)
Town attorney	519,510	601,163	494,245	(106,918)
Parks and recreation	3,995,900	4,070,790	3,851,099	(219,691)
Finance	1,280,010	1,305,905	1,302,849	(3,056)
Community development	2,011,160	2,159,654	2,051,139	(108,515)
Police	8,913,670	8,999,055	9,053,956	54,901
Public works	9,432,370	10,252,542	9,172,971	(1,079,571)
Grants	-	-	38,171	38,171
Debt Service:				
Principal	1,504,470	1,504,470	1,505,093	623
Interest and fiscal charges	638,550	551,950	494,954	(56,996)
<b>Total expenditures</b>	<b>31,204,590</b>	<b>32,633,457</b>	<b>30,847,135</b>	<b>(1,786,322)</b>
<b>Revenues over (under) expenditures</b>	<b>261,500</b>	<b>(1,167,367)</b>	<b>1,283,995</b>	<b>2,451,362</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-7  
Page 2STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 30,000	\$ 30,000	\$ 29,876	\$ (124)
Capital lease proceeds	320,000	320,000	-	(320,000)
Transfers out	(1,089,500)	(742,100)	(742,100)	-
<b>Total other financing uses, net</b>	<b>(739,500)</b>	<b>(392,100)</b>	<b>(712,224)</b>	<b>(320,124)</b>
<b>Net change in fund balance</b>	<b>(478,000)</b>	<b>(1,559,467)</b>	<b>571,771</b>	<b>2,131,238</b>
Fund balance, July 1	478,000	1,559,467	8,812,370	7,252,903
Fund balance, June 30	\$ -	\$ -	\$ 9,384,141	\$ 9,384,141

## TOWN OF HERNDON, VIRGINIA

Exhibit A-8

Page 1

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Business-type Activities - Enterprise Funds				Totals
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and temporary cash investments	\$ 14,086,873	\$ 1,034,254	\$ 540,114	\$ 900,599	\$ 16,561,840
Receivables (net of allowance for doubtful accounts):					
Accounts and other services	1,311,398	4,213	13,525	12,714	1,341,850
Accrued interest	62,127	1,857	498	10,106	74,588
Inventories	27,509	34,039	-	-	61,548
Prepaid costs	1,962	-	1,221	2,500	5,683
Current notes receivable	-	-	-	30,185	30,185
<b>Total current assets</b>	<b>15,489,869</b>	<b>1,074,363</b>	<b>555,358</b>	<b>956,104</b>	<b>18,075,694</b>
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	71,275	71,275
Deferred bond costs, net of accumulated amortization	-	23,644	35,807	-	59,451
Capital assets:					
Land	200,000	1,621,574	718,500	878,264	3,418,338
Buildings	-	2,316,728	1,263,020	-	3,579,748
Improvements other than buildings	24,428,131	2,930,679	1,444,889	460,045	29,263,744
Machinery and equipment	1,660,126	861,030	79,738	-	2,600,894
Furniture and fixtures	194,920	5,918	6,720	-	207,558
Intangibles	268,609	-	-	-	268,609
Construction in progress	224,540	61,160	-	-	285,700
Less accumulated depreciation and amortization	(17,052,974)	(3,935,184)	(962,800)	(434,343)	(22,385,301)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>9,923,352</b>	<b>3,861,905</b>	<b>2,550,067</b>	<b>903,966</b>	<b>17,239,290</b>
<b>Total noncurrent assets</b>	<b>9,923,352</b>	<b>3,885,549</b>	<b>2,585,874</b>	<b>975,241</b>	<b>17,370,016</b>
<b>Total assets</b>	<b>25,413,221</b>	<b>4,959,912</b>	<b>3,141,232</b>	<b>1,931,345</b>	<b>35,445,710</b>

See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-8

Page 2

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 1,132,533	\$ 11,910	\$ 6,992	\$ -	\$ 1,151,435
Accrued payroll	45,654	40,817	15,393	-	101,864
Accrued liabilities - other	202,552	19,339	35,624	-	257,515
Unearned revenue	-	27,840	-	-	27,840
Compensated absences	9,609	5,005	3,247	-	17,861
Deposits	238,754	-	-	-	238,754
Advances from other funds	-	-	151,980	-	151,980
Current general obligation bonds payable	-	89,146	114,133	-	203,279
<b>Total current liabilities</b>	<b>1,629,102</b>	<b>194,057</b>	<b>327,369</b>	<b>-</b>	<b>2,150,528</b>
Noncurrent Liabilities:					
Compensated absences	76,720	128,953	41,459	-	247,132
Other postemployment benefits	95,546	53,809	24,556	-	173,911
Long-term general obligation bonds payable, net	-	1,050,523	1,707,801	-	2,758,324
<b>Total noncurrent liabilities</b>	<b>172,266</b>	<b>1,233,285</b>	<b>1,773,816</b>	<b>-</b>	<b>3,179,367</b>
<b>Total liabilities</b>	<b>1,801,368</b>	<b>1,427,342</b>	<b>2,101,185</b>	<b>-</b>	<b>5,329,895</b>
Net Position:					
Net investment in capital assets	9,923,352	2,722,236	728,133	903,966	14,277,687
Unrestricted	13,688,501	810,334	311,914	1,027,379	15,838,128
<b>Total net position</b>	<b>\$ 23,611,853</b>	<b>\$ 3,532,570</b>	<b>\$ 1,040,047</b>	<b>\$ 1,931,345</b>	<b>\$ 30,115,815</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-9**  
**Page 1**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
Operating revenues:					
Sale of water	\$ 2,648,138	\$ -	\$ -	\$ -	\$ 2,648,138
Sewer service charges	3,284,276	-	-	-	3,284,276
Late payment charges	62,650	-	-	-	62,650
Sale of commodities	12,316	-	-	-	12,316
Rents and leases	439,885	43,123	-	-	483,008
Greens fees	-	981,722	-	-	981,722
Golf cart revenue	-	277,871	-	-	277,871
Golf pro shop sales	-	65,560	-	-	65,560
Driving range fees	-	67,807	-	-	67,807
Cemetery sites	-	-	423,865	-	423,865
Interment services	-	-	144,755	-	144,755
Merchandise sales	-	-	126,610	-	126,610
Miscellaneous	11,539	23,097	34,920	26,902	96,458
<b>Total operating revenues</b>	<b>6,458,804</b>	<b>1,459,180</b>	<b>730,150</b>	<b>26,902</b>	<b>8,675,036</b>
Operating expenses:					
Finance	241,683	-	-	-	241,683
Water main maintenance	1,969,941	-	-	-	1,969,941
Sewer service charge	3,622,066	-	-	-	3,622,066
Contractual services	466,570	-	-	-	466,570
Golf course operations	-	691,070	-	-	691,070
Golf course club house	-	583,452	-	-	583,452
Cemetery operations	-	-	502,533	-	502,533
Downtown parking	-	-	-	24,660	24,660
Nondepartmental:					
Depreciation and amortization	711,462	219,911	114,277	4,730	1,050,380
Miscellaneous	52,703	57,398	22,407	-	132,508
<b>Total operating expenses</b>	<b>7,064,425</b>	<b>1,551,831</b>	<b>639,217</b>	<b>29,390</b>	<b>9,284,863</b>
<b>Operating income (loss)</b>	<b>(605,621)</b>	<b>(92,651)</b>	<b>90,933</b>	<b>(2,488)</b>	<b>(609,827)</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-9**  
**Page 2**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
Nonoperating revenues (expenses):					
Investment earnings	\$ 46,500	\$ 8,375	\$ 14,591	\$ 11,428	\$ 80,894
Availability fees	277,902	-	-	-	277,902
Interest expense	-	(43,314)	(90,620)	-	(133,934)
<b>Total nonoperating revenues (expenses), net</b>	<b>324,402</b>	<b>(34,939)</b>	<b>(76,029)</b>	<b>11,428</b>	<b>224,862</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(281,219)</b>	<b>(127,590)</b>	<b>14,904</b>	<b>8,940</b>	<b>(384,965)</b>
Capital contributions	119,085	61,160	-	-	180,245
Transfers in	-	-	18,279	200,000	218,279
Transfers out	-	-	(42,387)	-	(42,387)
<b>Change in net position</b>	<b>(162,134)</b>	<b>(66,430)</b>	<b>(9,204)</b>	<b>208,940</b>	<b>(28,828)</b>
Total net position, July 1	23,773,987	3,599,000	1,049,251	1,722,405	30,144,643
Total net position, June 30	\$ 23,611,853	\$ 3,532,570	\$ 1,040,047	\$ 1,931,345	\$ 30,115,815



## TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 1

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 6,453,980	\$ 1,460,027	\$ 717,480	\$ 15,045	\$ 8,646,532
Payments to suppliers for goods and services	(5,175,439)	(473,013)	(182,954)	(26,160)	(5,857,566)
Payments to employees for services	(917,457)	(837,416)	(324,854)	-	(2,079,727)
<b>Net cash provided by (used in) operating activities</b>	<b>361,084</b>	<b>149,598</b>	<b>209,672</b>	<b>(11,115)</b>	<b>709,239</b>
Cash Flows From Noncapital Financing Activities:					
Transfers in from other funds	-	-	18,279	200,000	218,279
Transfers out to other funds	-	-	(42,387)	-	(42,387)
Repayment of advances from other funds	-	-	(12,665)	-	(12,665)
Interest paid on advances from other funds	-	-	(6,997)	-	(6,997)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>(43,770)</b>	<b>200,000</b>	<b>156,230</b>
Cash Flows From Capital and Related Financing Activities:					
Water and sewer tap fees/contributions from local sources	277,902	-	-	-	277,902
Capital grant	-	89,000	-	-	89,000
Acquisition and construction of capital assets	(590,143)	(74,134)	-	-	(664,277)
Principal paid on bonds	-	(85,670)	(108,724)	-	(194,394)
Interest paid on bonds	-	(44,298)	(85,348)	-	(129,646)
<b>Net cash used in capital and related financing activities</b>	<b>(312,241)</b>	<b>(115,102)</b>	<b>(194,072)</b>	<b>-</b>	<b>(621,415)</b>
Cash Flows From Investing Activities:					
Principal received on note receivable	-	-	-	32,532	32,532
Interest received on note receivable	-	-	-	12,447	12,447
Interest received on investment securities	34,125	11,021	14,591	-	59,737
<b>Net cash provided by investing activities</b>	<b>34,125</b>	<b>11,021</b>	<b>14,591</b>	<b>44,979</b>	<b>104,716</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>82,968</b>	<b>45,517</b>	<b>(13,579)</b>	<b>233,864</b>	<b>348,770</b>
Cash and Cash Equivalents:					
Beginning	14,003,905	988,737	553,693	666,735	16,213,070
Ending	\$ 14,086,873	\$ 1,034,254	\$ 540,114	\$ 900,599	\$ 16,561,840

## TOWN OF HERNDON, VIRGINIA

Exhibit A-10  
Page 2STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds									
	Major Funds			Nonmajor Fund		Totals				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise						
Cash Flows From Operating Activities:										
Operating income (loss)	\$	(605,621)	\$	(92,651)	\$	90,933	\$	(2,488)	\$	(609,827)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation and amortization		711,462		219,911		114,277		4,730		1,050,380
Changes in assets and liabilities:										
(Increase) decrease in:										
Receivables		2,836		847		(12,670)		(11,857)		(20,844)
Inventories		(4,703)		(12,718)		-		-		(17,421)
Prepaid costs and other assets		(1,962)		-		4,310		(1,500)		848
Increase (decrease) in:										
Accounts payable, accrued liabilities and compensated absences		266,732		34,209		12,822		-		313,763
Deposits		(7,660)		-		-		-		(7,660)
<b>Net cash provided by (used in) operating activities</b>	<b>\$</b>	<b>361,084</b>	<b>\$</b>	<b>149,598</b>	<b>\$</b>	<b>209,672</b>	<b>\$</b>	<b>(11,115)</b>	<b>\$</b>	<b>709,239</b>
Schedule of Noncash Capital and Related										
Financing Activities:										
Developer donated assets	\$	119,085	\$	-	\$	-	\$	-	\$	119,085

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-11**

**STATEMENT OF NET POSITION  
FIDUCIARY FUND  
June 30, 2013  
(With Comparative Amounts for 2012)**

	<u>Pension Trust Fund Police Supplemental Retirement Pension Trust Fund</u>	
	<u>2013</u>	<u>2012</u>
<hr/>		
<b>ASSETS</b>		
Mutual funds	<u>\$ 2,575,811</u>	<u>\$ 2,354,871</u>
<b>Total assets</b>	<u><b>2,575,811</b></u>	<u><b>2,354,871</b></u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u><u><b>\$ 2,575,811</b></u></u>	<u><u><b>\$ 2,354,871</b></u></u>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-12

**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**Year Ended June 30, 2013**  
**(With Comparative Amounts for 2012)**

	<u>Pension Trust Fund</u> <u>Police Supplemental</u> <u>Retirement Pension</u> <u>Trust Fund</u>	
	<b>2013</b>	<b>2012</b>
Additions:		
Employer contributions	\$ 138,038	\$ 131,117
<b>Total contributions</b>	<b>138,038</b>	<b>131,117</b>
Investment income:		
Net increase in the fair market value of investments	<u>282,757</u>	<u>43,890</u>
<b>Total additions, net</b>	<u><b>420,795</b></u>	<u><b>175,007</b></u>
Deductions:		
Benefit payments	<u>199,855</u>	<u>55,412</u>
<b>Change in net position</b>	<b>220,940</b>	<b>119,595</b>
Net position, July 1	<u>2,354,871</u>	<u>2,235,276</u>
Net position, June 30	<u><b>\$ 2,575,811</b></u>	<u><b>\$ 2,354,871</b></u>

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

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

**A. Reporting Entity**

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

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

The town is governed under the Town Manager-Council form of government. The town engages in a comprehensive range of municipal services, including general government administration; public safety and administration of justice; refuse collection; street and sidewalk maintenance; street lighting; zoning enforcement; education, health, welfare, and human service programs; planning, community development and recreation; and cultural and historic activities. Other municipal services including public education; technical and special education services; health and social services; mental health assistance; fire and ambulance services; judicial services; correctional facilities; and additional recreation services and facilities are provided by the County of Fairfax, Virginia.

As required by GAAP, these financial statements present the town's financial position. The town does not have any component units, entities for which the town is considered to be financially accountable or blended component units, legally separate entities which are in substance part of the town's operations.

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

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

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

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

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

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

**Basis of Presentation (Continued)**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

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

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

The town reports the following major governmental funds:

**General Fund**

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

**Capital Projects Fund**

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

The town reports the following major enterprise funds:

**Water and Sewer Fund**

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

**Golf Course Fund**

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

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

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

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

**Basis of Presentation (Continued)**

Chestnut Grove Cemetery Fund

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

Additionally, the town reports the following fund types:

Police Supplemental Retirement Pension Trust Fund

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

**Basis of Accounting**

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

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

*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.

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

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

**C. Budgetary Data**

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

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

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. This resolution appropriates all budgeted amounts. The Appropriations Resolution places legal restrictions on expenditures for each department or category level. The town Manager is authorized to transfer budgeted amounts of the General Fund, Water and Sewer Fund, Golf Course Fund and Downtown Parking Enterprise Funds within a department or between departments. The total amount of each transfer shall not exceed \$30,000 and multiple transfers for the same account cannot exceed a total of \$30,000. Transfers exceeding \$30,000 must be authorized by the town Council. Although transfers within the budget less than \$30,000 may be made without approval, 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, 2013, budget revisions to governmental funds were made which resulted in a \$1,428,867 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.



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

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

**D. Assets, Liabilities and Equity**

**(1) Deposits and Investments**

Cash resources of the governmental and proprietary funds are combined to form a pool of deposits and investments to maximize interest earnings potential. The pool consists primarily of certificates of deposit, repurchase agreements, government securities and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price.

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

**(2) Receivables and Payables**

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

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

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

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

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

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

**D. Assets, Liabilities and Equity (Continued)**

**(2) Receivables and Payables (Continued)**

The town levies real estate taxes as of January 1 on all real property in the town on a calendar year basis at a rate enacted by town Council. The levies are based on the assessed value of property as determined by the Director of Real Estate Assessments of Fairfax County. All property is assessed at 100 percent of appraised value and reassessed each year as of January 1. Real estate taxes are collected in equal installments due July 28 and December 5. Lien dates are 190 days after the due date. The tax rate during 2012 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 2013.

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

**(3) Inventories**

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

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

**(4) Prepaid Items**

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

**(5) Restricted Cash**

In accordance with the agreements resulting in the issuance of debt, the Capital Projects Fund has a portion of its cash balance restricted and shown as "Cash with fiscal agent" on the Governmental Funds' Balance Sheet and the Statement of Net Position. This restriction on cash balances is due to the intended use, as prescribed in the applicable bond covenants.

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

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

**D. Assets, Liabilities and Equity (Continued)**

**(6) 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.

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

Infrastructure	20 to 50 years
Buildings	10 to 50 years
Improvements other than buildings	5 to 50 years
Machinery and equipment	2 to 20 years
Furniture and fixtures	10 to 20 years
Intangibles	5 years

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

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

**D. Assets, Liabilities and Equity (Continued)**

**(7) 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 Virginia Retirement System, employees are considered 25% vested in sick leave benefits and are paid the vested portion up to \$10,000. Upon termination of employment except for dismissals, non-probationary full-time employees are considered 25% vested in sick leave benefits and are paid the vested portion up to \$2,500. A prorated amount shall be paid to non-probationary part-time employees. The vested amount is accrued in compensated absences.

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

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

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

**(8) 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium, discount, and deferred losses on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

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

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

**D. Assets, Liabilities and Equity (Continued)**

**(9) Fund Equity**

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

*Nonspendable fund balance* – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items, inventory and advances between funds).

*Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.

*Committed fund balance* – amounts constrained to specific purposes by the town Council. To be reported as committed, amounts cannot be used for any other purpose unless the town Council takes the action to remove or change the constraint. The action must be in the form of a budget amendment ordinance passed by the town Council after a public meeting.

*Assigned* – amounts constrained by the town's intent but are neither restricted nor committed. Encumbrances outstanding at year-end are designated by management, as allowed by the town's financial policies. Re-appropriations are then formally adopted by the town Council in the following fiscal year through a budget amendment. Amounts designated for subsequent years' expenditures are adopted by a resolution of the town Council which is retroactive to fiscal year-end. The action normally takes place during the month of July which is after fiscal year-end. These amounts are also formally re-appropriated by the town Council in the following fiscal year through a budget amendment.

*Unassigned fund balance* – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The town will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance.

**(10) Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts, and other commitments for the expenditures of monies to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance, depending on the governmental fund, since they do not constitute expenditures or liabilities. Encumbrances are normally re-appropriated each year by town Council resolution. The General Fund had encumbrances of \$749,252 at year end.

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

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

**E. Use of Estimates**

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

**Note 2. Deposits and Investments**

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

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

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

**Investments:** The State Treasurer's Local Government Investment Pool (LGIP) is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec 2.2-4605 *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.

***Investment Policy:***

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

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

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**Note 2. Deposits and 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.

**Credit Risk:**

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

As of June 30, 2013, 20% of the portfolio was invested in "AA+" U. S. Agency Securities, 41% was invested in "AAA" U. S. Agency Securities, 14% was invested in "AA-" U. S. Agency Securities, 2% was invested in "A+" U. S. Agency Securities, 14% was invested in "AAAm" rated Money Market Funds, 2% was invested in "A-" U. S. Agency Securities, and 7% was invested in an unrated Money Market Fund. All credit ratings presented in this paragraph are Standard & Poor's ratings.

**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, 2013, the portion of the town's portfolio, excluding the LGIP, U. S. Government guaranteed obligations and money market mutual funds, that exceed 5% of the total portfolio are as follows:

Federal National Mortgage Association	38%
Municipal Bonds	37%
Certificates of Deposit	6%

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

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

**Interest Rate Risk:**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

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

	Fair Value	Investment Maturities (in years)		
		Less Than 1 Year	1 – 5 Years	5 – 10 Years
U. S. Agencies	\$ 26,390,912	\$ 1,086,825	\$ 17,133,780	\$ 8,170,307

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

**Note 3. Receivables**

Receivables at June 30, 2013 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Water and Sewer Fund	Golf Course Fund	Chestnut Grove Cemetery Fund	Nonmajor Proprietary Fund	Totals
Property tax	\$ 5,196,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,196,842
Meals tax	173,270	-	-	-	-	-	173,270
Transient occupancy tax	197,560	-	-	-	-	-	197,560
Fines and forfeitures	61,850	-	-	-	-	-	61,850
Trade and other accounts	178,279	27,170	1,489,330	4,213	13,525	12,714	1,725,231
Gross receivables	5,807,801	27,170	1,489,330	4,213	13,525	12,714	7,354,753
Less allowance for uncollectible accounts	(8,112)	-	(177,932)	-	-	-	(186,044)
Net receivables	\$ 5,799,689	\$ 27,170	\$ 1,311,398	\$ 4,213	\$ 13,525	\$ 12,714	\$ 7,168,709



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

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**Note 3. Receivables (Continued)**

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the General Fund were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 47,139	\$ -
Advance billing of 2013-2014 taxes	-	5,131,475
Intergovernmental	45,733	-
Other	159,244	-
	<u>\$ 252,116</u>	<u>\$ 5,131,475</u>

**Note 4. Due From Other Governments**

Amounts due from other governments include the following:

General Fund:	
Federal government	<u>\$ 12,387</u>
Commonwealth of Virginia	<u>598,376</u>
Other Local:	
County of Fairfax	53,515
Northern Virginia Cigarette Tax Board	<u>28,930</u>
	<u>82,445</u>
<b>Total General Fund</b>	<u>693,208</u>
<b>Total due from other governments</b>	<u><u>\$ 693,208</u></u>

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

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**Note 5. Notes Receivable**

Notes receivable as of June 30, 2013 consist of the following:

	Downtown Parking Enterprise Fund
	<hr/>
4.715% note, due in annual installments of \$2,036, plus interest through March 2017	\$ 8,146
4.27% note, due in annual installments of \$16,291, plus interest through October 2017	81,457
4.515% note, due in annual installments of \$11,858, plus interest through October 2023	<hr/> 130,432
	220,035
Less current maturities	(30,185)
Less allowance for uncollectible accounts	<hr/> (118,575)
<b>Long-term portion, net</b>	<hr/> <b>\$ 71,275</b> <hr/>

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

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 25,824,692	\$ -	\$ 47,000	\$ 25,871,692
Easements	3,498	-	-	3,498
Construction in progress	947,010	1,359,576	(1,736,411)	570,175
<b>Total capital assets, not being depreciated or amortized</b>	<b>26,775,200</b>	<b>1,359,576</b>	<b>(1,689,411)</b>	<b>26,445,365</b>
Capital assets, being depreciated and amortized:				
Infrastructure	76,709,998	458,718	1,342,090	78,510,806
Buildings	40,462,681	-	-	40,462,681
Improvements other than buildings	10,172,677	-	112,370	10,285,047
Machinery and equipment	9,796,919	424,593	(299,853)	9,921,659
Intangibles	1,194,821	-	85,957	1,280,778
Furniture and fixtures	1,750,436	-	-	1,750,436
<b>Total capital assets being depreciated and amortized</b>	<b>140,087,532</b>	<b>883,311</b>	<b>1,240,564</b>	<b>142,211,407</b>
Less accumulated depreciation and amortization for:				
Infrastructure	54,718,269	1,560,456	-	56,278,725
Buildings	12,403,547	1,047,309	-	13,450,856
Improvements other than buildings	6,075,871	301,256	-	6,377,127
Machinery and equipment	7,008,551	393,955	(304,286)	7,098,220
Intangibles	1,051,304	79,328	-	1,130,632
Furniture and fixtures	870,778	76,532	-	947,310
<b>Total accumulated depreciation and amortization</b>	<b>82,128,320</b>	<b>3,458,836</b>	<b>(304,286)</b>	<b>85,282,870</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>57,959,212</b>	<b>(2,575,525)</b>	<b>1,544,850</b>	<b>56,928,537</b>
Governmental activities capital assets, net	\$ 84,734,412	\$ (1,215,949)	\$ (144,561)	\$ 83,373,902

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

Governmental activities:	
Legislative	\$ 440
Administration	279,466
Parks and Recreation	651,822
Finance	40,371
Community Development	40,273
Police	352,235
Public Works	2,094,229
<b>Total depreciation and amortization expense – governmental activities</b>	<b>\$ 3,458,836</b>

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

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

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 3,418,338	\$ -	\$ -	\$ 3,418,338
Construction in progress	158,236	635,596	(508,132)	285,700
<b>Total capital assets, not being depreciated or amortized</b>	<b>3,576,574</b>	<b>635,596</b>	<b>(508,132)</b>	<b>3,704,038</b>
Capital assets, being depreciated and amortized:				
Buildings	3,579,748	-	-	3,579,748
Improvements other than buildings	28,636,527	119,085	508,132	29,263,744
Machinery and equipment	2,572,213	28,681	-	2,600,894
Furniture and fixtures	207,558	-	-	207,558
Intangibles	268,609	-	-	268,609
<b>Total capital assets being depreciated and amortized</b>	<b>35,264,655</b>	<b>147,766</b>	<b>508,132</b>	<b>35,920,553</b>
Less accumulated depreciation and amortization:				
Buildings	1,396,225	104,816	-	1,501,041
Improvements other than buildings	17,334,152	833,184	11,495	18,178,831
Machinery and equipment	2,209,610	84,466	(11,495)	2,282,581
Furniture and fixtures	204,897	336	-	205,233
Intangibles	195,485	22,130	-	217,615
<b>Total accumulated depreciation and amortization</b>	<b>21,340,369</b>	<b>1,044,932</b>	<b>-</b>	<b>22,385,301</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>13,924,286</b>	<b>(897,166)</b>	<b>508,132</b>	<b>13,535,252</b>
Business-type activities capital assets, net	\$ 17,500,860	\$ (261,570)	\$ -	\$ 17,239,290
Business-type activities:				
Water and Sewer			\$ 711,462	
Golf Course			217,544	
Chestnut Grove Cemetery			111,196	
Downtown Parking Enterprise			4,730	
<b>Total depreciation and amortization expense - business-type activities</b>			<b>\$ 1,044,932</b>	

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

**Note 7. Long-Term Obligations**

The following is a summary of long-term liability activity for the year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 15,234,751	\$ -	\$ 1,365,606	\$ 13,869,145	\$ 1,401,721
Notes payable	1,730,000	-	139,487	1,590,513	138,999
Total	16,964,751	-	1,505,093	15,459,658	1,540,720
Compensated absences	2,034,760	2,335,834	2,088,230	2,282,364	520,310
Governmental activities long-term liabilities	18,999,511	2,335,834	3,593,323	17,742,022	\$ 2,061,030
Plus deferred amount for bond premiums	171,959	-	14,868	157,091	
Less deferred amount for bond discounts	(18,134)	-	(1,343)	(16,791)	
	<u>\$ 19,153,336</u>	<u>\$ 2,335,834</u>	<u>\$ 3,606,848</u>	<u>\$ 17,882,322</u>	

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

Year Ending June 30,	General Long-Term Debt			
	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 1,401,721	\$ 452,206	\$ 138,999	\$ 28,978
2015	920,509	403,382	139,117	26,512
2016	1,014,123	366,134	139,238	24,041
2017	1,057,517	335,125	139,363	21,567
2018	1,091,632	301,774	139,493	19,089
2019-2023	5,600,013	968,416	704,531	58,141
2024-2028	2,471,180	232,974	168,371	8,312
2029-2032	312,450	16,832	21,401	1,227
	<u>\$ 13,869,145</u>	<u>\$ 3,076,843</u>	<u>\$ 1,590,513</u>	<u>\$ 187,867</u>

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

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

**General Obligation Bonds**

\$5,850,000 refunding bonds issued February 15, 2002, interest at 4.00% payable semi-annually, annual maturity of \$515,000 through August 2013	\$ 515,000
\$3,800,000 taxable public improvement bonds issued December 1, 2003, interest at 5.02% payable semi-annually, annual maturity from \$400,000 to \$420,000 through August 2014	820,000
\$4,800,000 tax-exempt public improvement bonds issued December 1, 2005, interest at 4.00% to 4.50% payable semi-annually, annual maturity from \$215,000 to \$350,000 through August 2025	3,580,000
\$500,000 tax-exempt public improvement bonds issued February 8, 2007, interest at 3.75% to 5.25%, payable semi-annually, annual maturity from \$21,018 to \$37,611 through February 2027	391,593
\$2,375,000 tax-exempt Build America and Recovery Zone bonds issued March 1, 2010, interest at 2.25% to 6.07% payable semi-annually, annual maturity \$95,450 to \$154,750 through February 2030	2,113,550
\$1,766,365 refunding bonds issued December 7, 2010, interest at 4.00% to 5.25%, payable semi-annually, annual maturity from \$155,253 to \$205,051 through February 2021	1,450,002
\$4,999,000 refunding bonds issued June 29, 2012, interest at 2.15% payable semi-annually, annual maturity beginning in fiscal year 2016 from \$492,500 to \$613,000 through August 2023	<u>4,999,000</u>
<b>Total general obligation bonds</b>	<b><u>\$ 13,869,145</u></b>

**Notes Payable:**

\$1,765,000 VML/VACO Finance Program note payable, payable annually, plus interest, annual maturity from \$135,000 to \$140,000 through July 2024. Interest payments at a variable rate averaged 1.45% for fiscal year 2013.	\$ 1,495,000
\$100,000 VRA loan note payable, interest at 2.93%, payable semi-annually, plus interest beginning in fiscal year 2013, semi-annual maturity from \$1,985 to \$3,302 through September 2031	<u>95,513</u>
	<b><u>\$ 1,590,513</u></b>

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Serial bonds	\$ 3,044,249	\$ -	\$ 194,394	\$ 2,849,855	\$ 203,279
Compensated absences	237,357	194,701	167,065	264,993	17,861
Plus deferred amount for bond premiums	122,651	-	10,903	111,748	-
Business-type activities long-term liabilities	\$ 3,404,257	\$ 194,701	\$ 372,362	\$ 3,226,596	\$ 221,140

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2014	\$ 203,279	\$ 123,108
2015	209,491	115,483
2016	218,377	105,831
2017	228,483	97,278
2018	237,368	88,120
2019-2023	1,038,487	283,887
2024-2028	636,820	91,464
2029-2030	77,550	3,446
	<u>\$ 2,849,855</u>	<u>\$ 908,617</u>

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

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

	Golf Course Fund	Chestnut Grove Cemetery Fund
Serial bonds:		
\$1,760,000 public improvement bonds, issued February 8, 2007, interest at 3.75% to 5.25% payable semi-annually, annual maturity from \$73,982 to \$132,389 through February 2027	\$ -	\$ 1,378,407
\$500,000 Build America and Recovery Zone bonds, issued March 1, 2010, interest at 2.25% to 6.07% payable semi-annually, annual maturity from \$19,550 to \$45,250 through February 2030	446,450	-
\$1,248,635 General Obligation Refunding Bond, issued December 7, 2010, to refund the outstanding Public Improvement Bonds issued in 2001; interest at 4.00% to 5.25%, payable semi-annually, annual maturity from \$40,151 to \$91,919 through February 2021	650,000	374,998
	<u>\$ 1,096,450</u>	<u>\$ 1,753,405</u>

The town's available legal debt margin mandated by the Commonwealth of Virginia is \$357,173,371, which is computed based upon 10% of the assessed value of real estate subject to taxation less applicable bonded debt.



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

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**Note 8. Defined Benefit Pension Plan**

**A. Plan Description**

Name of Plan : Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer  
Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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**Note 8. Defined Benefit Pension Plan (Continued)**

**A. Plan Description (Continued)**

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. 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 for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the town. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, the town was required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to five years and the town is required to provide a salary increase equal to the amount of the increase in the employee-paid contribution. The town elected to not phase in the increase, but rather provided a 5% salary increase to all employees on July 1, 2012. In addition, the town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The town's contribution rate for the fiscal year ended June 30, 2013 was 10.01%, exclusive of the employee's share of annual covered payroll.

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

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**Note 8. Defined Benefit Pension Plan (Continued)**

**C. Annual Pension Cost (APC)**

For fiscal year 2013, the Town's annual pension cost of \$2,392,728 was equal to the Town's required and actual contributions.

Three-year trend information for the Town is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 1,753,052	100%	\$ -
June 30, 2012	1,782,862	100%	-
June 30, 2013	2,392,728	100%	-

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

**D. Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the plan was 79.41% funded. The actuarial accrued liability for benefits was \$61,245,618 and the actuarial value of assets was \$48,632,834 resulting in an unfunded actuarial accrued liability (UAAL) of \$12,612,784. The covered payroll (annual payroll of active employees covered by the plan) was \$14,976,236, and ratio of the UAAL to the covered payroll was 84.22%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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**Note 9. 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 does not issue a stand-alone financial report.

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

The town's payroll for employees covered by the Plan for the year ended June 30, 2013 was approximately \$5,581,771, which was 32% of the total town payroll of \$17,651,438. There were 76 participants in the Plan at June 30, 2013. 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 \$138,038 for the fiscal year ended June 30, 2013. Data concerning the value of vested and nonvested benefits as of June 30, 2013 is as follows:

Vested benefits	\$ 2,499,305
Nonvested benefits	76,506
	<u>\$ 2,575,811</u>

**Vesting**

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

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

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

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

**Significant Accounting Policies**

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

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

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

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

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

**Concentrations**

At June 30, 2013, Plan assets were comprised of mutual funds investing in stocks, bonds, guaranteed investment contracts, and U. S. government securities. The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net assets as of June 30, 2013 and 2012 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	2013	2012
Mutual Funds:		
Dimensional U. S. Large Value	\$ 162,572	\$ 139,196
Federated Capital Preservation	334,873	531,504
Janus Twenty Fund, Inc.	392,970	339,599
Vanguard 500 Index Signal	905,710	603,587
Vanguard Interim – Term Bond Index Signal	463,495	443,769
Other Investments Individually Less Than 5% of Plan Assets	316,191	297,216
	<u>\$ 2,575,811</u>	<u>\$ 2,354,871</u>

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

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**Note 10. Other Postemployment Benefits**

**A. Plan Description**

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

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

**B. Funding Policy**

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

**C. Annual OPEB Cost and Net OPEB Obligation**

In July 2012, the town had an actuarial valuation performed of post-employment benefits. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The pay-as-you-go cost for OPEB benefits for the town's plan is \$160,600 and the annual benefit cost is \$541,300. The percentage of annual OPEB cost contributed is 29.67%.

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the town has elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded. At June 30, 2013, the town has recorded a liability of \$1,470,245 on the Statement of Net Position (\$1,296,334 governmental activities and \$173,911 business-type activities.)

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

Annual required contribution (ARC)	\$ 543,100
Interest on net OPEB obligation	43,600
Adjustment to annual required contribution	<u>(45,400)</u>
Annual OPEB cost	541,300
Estimated contributions made	<u>(160,600)</u>
Increase in net OPEB obligation	380,700
Net OPEB obligation, beginning of year	1,089,545
Net OPEB obligation, end of year	<u>\$ 1,470,245</u>

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

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**Note 10. Other Postemployment Benefits (Continued)**

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

**Trend Information**

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net Pension Obligation
June 30, 2013	\$ 541,300	29.67%	\$ 1,470,245
June 30, 2012	214,500	44.73%	1,089,545
June 30, 2011	205,600	29.47%	971,000

**D. Funding Status and Funding Progress**

As of July 1, 2012, the most recent roll forward actuarial valuation date, the plan was not funded. The actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,557,300 for the town's plan.

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

The following table shows the funding status:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 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%
July 1, 2008	-	5,284,000	5,284,000	0.00%	14,781,700	35.75%

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

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**Note 10. Other Postemployment Benefits (Continued)**

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2012 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include a four percent rate of return, an inflation rate of two and one-half percent, assumed salary scale increase of two and one-half percent, and an annual healthcare cost trend rate of ten percent initially, reduced by one percent decrements to an ultimate rate of five percent. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

**Note 11. Interfund Receivables and Payables**

Interfund balances as of June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: Chestnut Grove Cemetery	\$ 151,980
General	Governmental: Capital Projects	\$ 43,500
	Total	<u>\$ 195,480</u>

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



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

**Note 12. Interfund Transfers**

A summary of interfund transfer activity is presented as follows:

	General Fund	Nonmajor Governmental Fund	Chestnut Grove Cemetery Fund	Total Transferred In
<b>Transfer To Fund:</b>				
Primary government:				
Governmental activities:				
Capital Projects Fund	\$ 457,100	\$ -	\$ -	\$ 457,100
Nonmajor Governmental Fund	85,000	-	42,387	127,387
Business-type activities:				
Chestnut Grove Cemetery Fund	-	18,279	-	18,279
Nonmajor Enterprise Fund	200,000	-	-	200,000
<b>Total Transferred Out</b>	<b>\$ 742,100</b>	<b>\$ 18,279</b>	<b>\$ 42,387</b>	<b>\$ 802,766</b>

The transfers from the General Fund to the Capital Projects Fund, Nonmajor Government Funds, and Nonmajor Enterprise Funds is for capital project expenditures.

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

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

**Note 13. Surety Bonds**

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

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

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

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**Note 14. Contingency**

Federal and State-Assisted Programs

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

**Note 15. Commitments and Subsequent Event**

The town was contacted by the Environmental Protection Agency (EPA) in November 2007 concerning its investigation of a release, or threat of release, of hazardous substances, pollutants or containments into the environment at the Hidden Lane Landfill in Loudoun County, Virginia. The town has furnished all information and documents in relation to any town use of this landfill between 1971 and 1983 to the EPA. The EPA's investigation was still on-going at June 30, 2013 and no indication of potential town liability has been determined.

On July 9, 2013, the town awarded construction contracts for the Station Street Utility Undergrounding project for \$398,950 (with a contingency of \$60,000) and for the Pine Street, Station Street and Locust Street Waterline Improvements project for \$341,945 (with a contingency of \$50,000).

**Note 16. Risk Management**

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

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

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

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

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**Note 17. Pending GASB Statements**

At June 30, 2013, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the town. The statements which might impact the town are as follows:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The town has not determined the financial reporting effect that any of these statements will have upon the town.



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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HERNDON, VIRGINIA**

**SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2012	\$ 48,632,834	\$ 61,245,618	\$ 12,612,784	79.41%	\$ 14,976,236	84.22%
June 30, 2011	47,702,288	57,592,615	9,890,327	82.83%	14,576,815	67.85%
June 30, 2010	45,557,167	54,225,499	8,668,332	84.01%	15,028,251	57.68%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 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%
July 1, 2008	-	5,284,000	5,284,000	0.00%	14,781,700	35.75%

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

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 543,100	29.57%
2012	216,100	44.40%
2011	207,000	29.28%



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**SUPPLEMENTARY INFORMATION**

## **Nonmajor Governmental Funds**

### **Special Revenue Fund**

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

### **Capital Projects Fund**

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

**TOWN OF HERNDON, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

**Exhibit B-1**

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 1,440,458	\$ 143,340	\$ 1,583,798
Accrued interest	3,924	-	3,924
<b>Total assets</b>	<b>\$ 1,444,382</b>	<b>\$ 143,340</b>	<b>\$ 1,587,722</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 25,345	\$ 25,345
Fund balances:			
Committed to:			
Cemetery perpetual care	1,444,382	-	1,444,382
Assigned:			
Subsequent years' expenditures for Information Systems Improvement Fund	-	117,995	117,995
<b>Total fund balances</b>	<b>1,444,382</b>	<b>117,995</b>	<b>1,562,377</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,444,382</b>	<b>\$ 143,340</b>	<b>\$ 1,587,722</b>



## TOWN OF HERNDON, VIRGINIA

Exhibit B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2013**

	<u>Special Revenue</u> Chestnut Grove Cemetery Perpetual Care Fund	<u>Capital Projects</u> Information Systems Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Revenue from local sources:			
Use of money and property	\$ 18,278	\$ -	\$ 18,278
<b>Total revenues</b>	<u>18,278</u>	<u>-</u>	<u>18,278</u>
Expenditures:			
Capital outlay	<u>-</u>	<u>186,302</u>	<u>186,302</u>
<b>Revenues over (under) expenditures</b>	<u>18,278</u>	<u>(186,302)</u>	<u>(168,024)</u>
Other financing sources (uses):			
Transfers in	42,387	85,000	127,387
Transfers out	<u>(18,279)</u>	<u>-</u>	<u>(18,279)</u>
<b>Total other financing sources, net</b>	<u>24,108</u>	<u>85,000</u>	<u>109,108</u>
<b>Net change in fund balances</b>	42,386	(101,302)	(58,916)
Fund balances, July 1	<u>1,401,996</u>	<u>219,297</u>	<u>1,621,293</u>
Fund balances, June 30	<u>\$ 1,444,382</u>	<u>\$ 117,995</u>	<u>\$ 1,562,377</u>



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## **SUPPLEMENTAL SCHEDULES**

## TOWN OF HERNDON, VIRGINIA

Exhibit B-3

GENERAL FUND  
BALANCE SHEET

June 30, 2013

(With Comparative Amounts for 2012)

	2013	2012
<b>ASSETS</b>		
Cash, cash equivalents and temporary cash investments	\$ 12,170,785	\$ 11,319,475
Receivables (net of allowance for doubtful accounts):		
Property taxes	5,188,730	5,031,487
Accounts and other services	610,959	654,547
Accrued interest	64,316	57,408
Due from other governments	693,208	746,029
Inventories	149,721	127,084
Prepaid costs	51,580	60,309
Advances to other funds	195,480	249,645
<b>Total assets</b>	<b>\$ 19,124,779</b>	<b>\$ 18,245,984</b>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 484,786	\$ 578,317
Accrued payroll	991,862	795,049
Accrued liabilities - other	1,370,316	1,082,606
Deferred revenue	5,383,591	5,196,506
Deposits	1,510,083	1,781,136
<b>Total liabilities</b>	<b>9,740,638</b>	<b>9,433,614</b>
Fund Balances:		
Nonspendable:		
Inventories	149,721	127,084
Prepaid costs	51,580	60,309
Loan to Capital Projects Fund	43,500	85,000
Loan to Cemetery Fund	151,980	164,645
Committed:		
Revenue stabilization	400,000	200,000
Assigned to:		
Operating materials, services and supplies	308,941	364,531
Capital equipment and vehicles	440,311	96,286
Subsequent years' expenditures	728,924	814,723
Unassigned	7,109,184	6,899,792
<b>Total fund balances</b>	<b>9,384,141</b>	<b>8,812,370</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,124,779</b>	<b>\$ 18,245,984</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 1GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 9,826,000	\$ 9,826,000	\$ 9,872,759	\$ 46,759
Elderly tax relief exemption	-	-	(80,219)	(80,219)
Public service corporation taxes	356,000	356,000	317,193	(38,807)
Penalties and interest	42,000	42,000	57,066	15,066
<b>Total general property taxes</b>	<b>10,224,000</b>	<b>10,224,000</b>	<b>10,166,799</b>	<b>(57,201)</b>
Other local taxes:				
Consumer utility tax	784,000	784,000	793,363	9,363
Right of way use fees	195,000	195,000	188,418	(6,582)
Cigarette tax	374,000	374,000	333,869	(40,131)
Transient occupancy tax	2,324,000	2,324,000	2,088,149	(235,851)
Bank stock tax	330,000	330,000	220,035	(109,965)
Cable T.V. franchise fees	167,000	167,000	190,654	23,654
Business licenses tax	3,647,000	3,647,000	4,481,963	834,963
Utility consumption tax	96,000	96,000	95,630	(370)
Motor vehicle licenses	390,000	390,000	373,415	(16,585)
Local sales tax	1,622,000	1,622,000	1,668,325	46,325
Meals tax	2,002,000	2,002,000	2,008,529	6,529
<b>Total other local taxes</b>	<b>11,931,000</b>	<b>11,931,000</b>	<b>12,442,350</b>	<b>511,350</b>
Permits, privilege fees and regulatory licenses:				
Planning fees	64,000	64,000	82,603	18,603
Building inspection fees and permits	265,000	265,000	474,725	209,725
Right of way permit fees	16,000	16,000	18,827	2,827
<b>Total permits, privilege fees and regulatory licenses</b>	<b>345,000</b>	<b>345,000</b>	<b>576,155</b>	<b>231,155</b>
Fines and forfeitures:				
Court fines and costs	101,000	101,000	31,645	(69,355)
Court fees - Fairfax County	458,000	458,000	443,670	(14,330)
Court maintenance fees	14,000	14,000	13,804	(196)
Zoning fines	11,000	11,000	1,948	(9,052)
<b>Total fines and forfeitures</b>	<b>584,000</b>	<b>584,000</b>	<b>491,067</b>	<b>(92,933)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 2GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	\$ 204,000	\$ 204,000	\$ (51,919)	\$ (255,919)
Rental income	493,000	493,000	453,518	(39,482)
<b>Total use of money and property</b>	<b>697,000</b>	<b>697,000</b>	<b>401,599</b>	<b>(295,401)</b>
Charges for services:				
Franchise lease	101,000	101,000	82,940	(18,060)
Commercial refuse collection	13,000	13,000	9,870	(3,130)
Recycling collection	93,000	93,000	99,157	6,157
Recreation program fees	1,656,000	1,656,000	1,662,389	6,389
Admission fees	491,000	491,000	492,562	1,562
Park operation	10,000	10,000	14,285	4,285
Herndon festival	327,000	327,000	358,056	31,056
Concession	23,000	23,000	18,821	(4,179)
Rental income - parks & recreation	82,000	82,000	67,863	(14,137)
Tennis/multi-use facility	203,000	203,000	212,333	9,333
Sale of recyclable materials	15,000	15,000	19,606	4,606
Quasi - external revenue - charges for administration, personnel and other services:				
Chestnut Grove Cemetery fund	15,060	15,060	15,060	-
Golf course fund	31,060	31,060	31,060	-
Water and sewer fund	466,570	466,570	466,570	-
<b>Total charges for services</b>	<b>3,526,690</b>	<b>3,526,690</b>	<b>3,550,572</b>	<b>23,882</b>
Miscellaneous	28,000	28,000	56,708	28,708
<b>Total revenue from local sources</b>	<b>27,335,690</b>	<b>27,335,690</b>	<b>27,685,250</b>	<b>349,560</b>
Intergovernmental:				
County of Fairfax:				
Pro-rata share of storm water district tax collections	-	-	187,243	187,243
Contribution toward tourism and economic development	40,000	40,000	40,000	-
<b>Total from County of Fairfax</b>	<b>40,000</b>	<b>40,000</b>	<b>227,243</b>	<b>187,243</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 3GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Intergovernmental: (Continued)				
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	\$ 548,700	\$ 548,700	\$ 548,704	\$ 4
Communications sales and use tax	1,685,000	1,685,000	1,763,302	78,302
Vehicle rental taxes	29,000	29,000	7,199	(21,801)
<b>Total non-categorical aid</b>	<b>2,262,700</b>	<b>2,262,700</b>	<b>2,319,205</b>	<b>56,505</b>
Categorical aid:				
Fire fund program	60,000	60,000	66,430	6,430
Litter control grant	4,700	4,700	6,751	2,051
Financial assistance for the arts	5,000	5,000	-	(5,000)
Dept. of Criminal Justice Service - NOVA regional ICAC grant	20,600	20,600	15,573	(5,027)
Street and highway maintenance allocation	1,594,000	1,594,000	1,616,674	22,674
<b>Total categorical aid</b>	<b>1,684,300</b>	<b>1,684,300</b>	<b>1,705,428</b>	<b>21,128</b>
<b>Total from the Commonwealth</b>	<b>3,947,000</b>	<b>3,947,000</b>	<b>4,024,633</b>	<b>77,633</b>
Federal government:				
Categorical aid:				
Office of Justice Pgms./VEST grant	-	-	995	995
Dept. of Transportation/State & Community Highway Safety grant	17,500	17,500	2,027	(15,473)
Office of Justice Pgms./JJDP grant	16,500	16,500	25,417	8,917
Bureau of Justice Assist./ JAG grant	-	-	2,965	2,965
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement grant	20,000	20,000	32,068	12,068
CMAQ grant - alternative fuel vehicles	-	-	39,709	39,709
Dept. of Housing & Urban Dev./Bilingual grant	89,400	89,400	90,823	1,423.00
<b>Total from the Federal government</b>	<b>143,400</b>	<b>143,400</b>	<b>194,004</b>	<b>50,604</b>
<b>Total intergovernmental revenue</b>	<b>4,130,400</b>	<b>4,130,400</b>	<b>4,445,880</b>	<b>315,480</b>
<b>Total General Fund revenues</b>	<b>\$ 31,466,090</b>	<b>\$ 31,466,090</b>	<b>\$ 32,131,130</b>	<b>\$ 665,040</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 1GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Legislative:				
Personnel services	\$ 390,490	\$ 390,490	\$ 403,149	\$ 12,659
Operations and maintenance	213,830	235,780	230,370	(5,410)
<b>Total legislative</b>	<b>604,320</b>	<b>626,270</b>	<b>633,519</b>	<b>7,249</b>
Administration:				
Public information:				
Personnel services	175,590	208,718	177,388	(31,330)
Operations and maintenance	231,400	359,300	200,117	(159,183)
Capital outlay	-	1,800	-	(1,800)
	<b>406,990</b>	<b>569,818</b>	<b>377,505</b>	<b>(192,313)</b>
Town manager:				
Personnel services	341,290	341,290	344,955	3,665
Operations and maintenance	42,100	61,945	16,276	(45,669)
	<b>383,390</b>	<b>403,235</b>	<b>361,231</b>	<b>(42,004)</b>
Human resources:				
Personnel services	398,570	398,570	399,707	1,137
Operations and maintenance	112,300	177,200	126,976	(50,224)
	<b>510,870</b>	<b>575,770</b>	<b>526,683</b>	<b>(49,087)</b>
Information services:				
Personnel services	696,480	696,480	696,228	(252)
Operations and maintenance	270,300	282,755	253,937	(28,818)
Capital outlay	36,600	33,600	33,555	(45)
	<b>1,003,380</b>	<b>1,012,835</b>	<b>983,720</b>	<b>(29,115)</b>
<b>Total administration</b>	<b>2,304,630</b>	<b>2,561,658</b>	<b>2,249,139</b>	<b>(312,519)</b>
Town attorney:				
Personnel services	360,050	360,050	324,571	(35,479)
Operations and maintenance	159,460	241,113	169,674	(71,439)
<b>Total town attorney</b>	<b>519,510</b>	<b>601,163</b>	<b>494,245</b>	<b>(106,918)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 2GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Parks and recreation:				
Administration:				
Personnel services	\$ 435,050	\$ 435,050	\$ 417,691	\$ (17,359)
Operations and maintenance	99,190	98,690	88,215	(10,475)
	534,240	533,740	505,906	(27,834)
Recreation programs:				
Personnel services	835,780	835,780	817,948	(17,832)
Operations and maintenance	634,760	660,878	636,760	(24,118)
	1,470,540	1,496,658	1,454,708	(41,950)
Community center operations:				
Personnel services	865,390	865,390	837,453	(27,937)
Operations and maintenance	206,850	207,402	193,694	(13,708)
Capital outlay	-	30,000	-	(30,000)
	1,072,240	1,102,792	1,031,147	(71,645)
Aquatics programs and operations:				
Personnel services	609,910	609,910	578,752	(31,158)
Operations and maintenance	144,780	145,256	121,432	(23,824)
Capital outlay	16,000	24,096	19,856	(4,240)
	770,690	779,262	720,040	(59,222)
Park operations and development:				
Personnel services	69,390	69,390	64,692	(4,698)
Operations and maintenance	78,800	88,948	74,606	(14,342)
	148,190	158,338	139,298	(19,040)
<b>Total parks and recreation</b>	<b>3,995,900</b>	<b>4,070,790</b>	<b>3,851,099</b>	<b>(219,691)</b>



## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 3GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Finance:				
Administration:				
Personnel services	\$ 237,730	\$ 237,730	\$ 237,296	\$ (434)
Operations and maintenance	255,120	263,720	260,317	(3,403)
	492,850	501,450	497,613	(3,837)
Billing and accounting:				
Personnel services	446,510	446,510	449,265	2,755
Operations and maintenance	19,200	20,860	15,736	(5,124)
	465,710	467,370	465,001	(2,369)
Revenue:				
Personnel services	196,900	196,900	201,552	4,652
Operations and maintenance	31,510	47,145	46,081	(1,064)
	228,410	244,045	247,633	3,588
Procurement:				
Personnel services	88,610	88,610	89,039	429
Operations and maintenance	4,430	4,430	3,563	(867)
	93,040	93,040	92,602	(438)
<b>Total finance</b>	<b>1,280,010</b>	<b>1,305,905</b>	<b>1,302,849</b>	<b>(3,056)</b>
Community development:				
Administration:				
Personnel services	1,401,450	1,399,050	1,405,728	6,678
Operations and maintenance	136,620	285,353	186,120	(99,233)
Capital outlay	-	2,161	2,161	-
	1,538,070	1,686,564	1,594,009	(92,555)
Community inspections:				
Personnel services	460,890	460,890	448,893	(11,997)
Operations and maintenance	12,200	12,200	8,237	(3,963)
	473,090	473,090	457,130	(15,960)
<b>Total community development</b>	<b>2,011,160</b>	<b>2,159,654</b>	<b>2,051,139</b>	<b>(108,515)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 4GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<b>Police:</b>				
Field operations:				
Personnel services	\$ 5,028,020	\$ 5,019,920	\$ 5,343,391	\$ 323,471
Operations and maintenance	166,500	167,286	161,372	(5,914)
Capital outlay	151,100	217,152	161,918	(55,234)
	<u>5,345,620</u>	<u>5,404,358</u>	<u>5,666,681</u>	<u>262,323</u>
Support services:				
Personnel services	3,133,790	3,133,790	2,945,303	(188,487)
Operations and maintenance	410,280	434,807	420,242	(14,565)
Capital outlay	23,980	26,100	21,730	(4,370)
	<u>3,568,050</u>	<u>3,594,697</u>	<u>3,387,275</u>	<u>(207,422)</u>
<b>Total police</b>	<u>8,913,670</u>	<u>8,999,055</u>	<u>9,053,956</u>	<u>54,901</u>
<b>Public Works:</b>				
Administration:				
Personnel services	799,260	799,260	799,964	704
Operations and maintenance	40,850	42,646	31,216	(11,430)
	<u>840,110</u>	<u>841,906</u>	<u>831,180</u>	<u>(10,726)</u>
Engineering:				
Personnel services	490,510	490,510	489,906	(604)
Operations and maintenance	88,220	123,722	75,699	(48,023)
	<u>578,730</u>	<u>614,232</u>	<u>565,605</u>	<u>(48,627)</u>
Program management:				
Personnel services	250,140	250,140	250,222	82
Operations and maintenance	5,650	19,149	10,158	(8,991)
	<u>255,790</u>	<u>269,289</u>	<u>260,380</u>	<u>(8,909)</u>
Building inspections:				
Personnel services	469,890	469,890	466,405	(3,485)
Operations and maintenance	77,080	94,824	93,939	(885)
	<u>546,970</u>	<u>564,714</u>	<u>560,344</u>	<u>(4,370)</u>
Building maintenance:				
Personnel services	563,320	563,320	558,991	(4,329)
Operations and maintenance	746,550	875,759	914,287	38,528
Capital outlay	95,000	121,000	84,089	(36,911)
	<u>1,404,870</u>	<u>1,560,079</u>	<u>1,557,367</u>	<u>(2,712)</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 5GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Public Works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 618,880	\$ 618,880	\$ 494,398	\$ (124,482)
Operations and maintenance	162,500	195,797	39,416	(156,381)
	781,380	814,677	533,814	(280,863)
Street maintenance:				
Personnel services	681,770	681,770	769,212	87,442
Operations and maintenance	663,500	997,486	1,115,175	117,689
Capital outlay	23,000	226,149	61,532	(164,617)
	1,368,270	1,905,405	1,945,919	40,514
Refuse/recycling:				
Personnel services	950,260	950,260	949,428	(832)
Operations and maintenance	502,700	502,700	426,877	(75,823)
Capital outlay	241,900	241,900	10,697	(231,203)
	1,694,860	1,694,860	1,387,002	(307,858)
Vehicle and equipment maintenance:				
Personnel services	822,260	804,810	753,550	(51,260)
Operations and maintenance	390,500	397,502	241,878	(155,624)
Capital outlay	93,000	116,930	51,793	(65,137)
	1,305,760	1,319,242	1,047,221	(272,021)
Traffic engineering:				
Personnel services	249,060	249,060	171,613	(77,447)
Operations and maintenance	108,580	121,043	26,704	(94,339)
Capital outlay	30,000	30,000	29,183	(817)
	387,640	400,103	227,500	(172,603)
Right of way inspections:				
Personnel services	257,390	257,390	249,072	(8,318)
Operations and maintenance	10,600	10,645	7,567	(3,078)
	267,990	268,035	256,639	(11,396)
<b>Total public works</b>	<b>9,432,370</b>	<b>10,252,542</b>	<b>9,172,971</b>	<b>(1,079,571)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 6GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Grants:				
Operations	\$ -	\$ -	\$ 38,171	\$ 38,171
<b>Total grants</b>	-	-	38,171	38,171
Debt service:				
Principal	1,504,470	1,504,470	1,505,093	623
Interest and fiscal charges	638,550	551,950	494,954	(56,996)
<b>Total debt service</b>	2,143,020	2,056,420	2,000,047	(56,373)
<b>Total General Fund expenditures</b>	<b>\$ 31,204,590</b>	<b>\$ 32,633,457</b>	<b>\$ 30,847,135</b>	<b>\$ (1,786,322)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-6

**GOVERNMENTAL FUND TYPE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS AND INFORMATION SYSTEMS IMPROVEMENT FUNDS**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 200,000	\$ 200,000	\$ 32,088	\$ (167,912)
Miscellaneous	200,000	200,000	100,000	(100,000)
Intergovernmental	1,215,000	1,315,000	574,743	(740,257)
<b>Total revenues</b>	<b>1,615,000</b>	<b>1,715,000</b>	<b>706,831</b>	<b>(1,008,169)</b>
Capital Outlay:				
Parks and recreation	450,000	1,074,139	91,602	(982,537)
Community development	-	23,534	-	(23,534)
Public works				
Buildings and grounds	285,000	1,039,412	83,445	(955,967)
Streets and sidewalks	1,375,000	9,394,022	1,191,834	(8,202,188)
Other infrastructure	555,000	1,070,977	146,289	(924,688)
Information systems improvements	285,000	1,048,237	186,302	(861,935)
<b>Total expenditures</b>	<b>2,950,000</b>	<b>13,650,321</b>	<b>1,699,472</b>	<b>(11,950,849)</b>
<b>Revenues under expenditures</b>	<b>(1,335,000)</b>	<b>(11,935,321)</b>	<b>(992,641)</b>	<b>10,942,680</b>
Other financing sources:				
Issuance of debt	300,000	300,000	-	(300,000)
Transfers in	848,000	848,000	542,100	(305,900)
<b>Total other financing sources</b>	<b>1,148,000</b>	<b>1,148,000</b>	<b>542,100</b>	<b>(605,900)</b>
<b>Net change in fund balance</b>	<b>(187,000)</b>	<b>(10,787,321)</b>	<b>(450,541)</b>	<b>10,336,780</b>
Fund balance, July 1	187,000	10,787,321	10,787,321	-
Fund balance, June 30	\$ -	\$ -	\$ 10,336,780	\$ 10,336,780

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-7  
Page 1**

**CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
<b>Folly Lick Watershed:</b>				
Builder contributions	\$ 413,140	\$ 413,140	\$ -	\$ 413,140
Transfer from General Fund	753,330	753,330	-	753,330
Fairfax County grant	463,102	463,102	-	463,102
Interest on investments	642,907	642,907	-	642,907
Reallocation of remaining authorizations	(1,878,417)	(1,878,417)	-	(1,878,417)
<b>Horse Pen Run Watershed:</b>				
Builder contributions	21,581	21,581	-	21,581
Interest on investments	20,124	20,124	-	20,124
<b>Storm Drain Easement/Construction:</b>				
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	1,550,200	1,485,200	65,000	1,550,200
Interest on investments	217,055	216,197	858	217,055
Reallocation of remaining authorizations	172,796	112,198	60,598	172,796
<b>Huntmar-Spring/Van Buren Street Improvements:</b>				
Builder bond default	18,750	18,750	-	18,750
Interest on investments	27,308	27,308	-	27,308
Reallocation of remaining authorizations	(25,677)	(25,677)	-	(25,677)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 2

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Traffic Signals and Automated Control Systems:				
Builder contributions	\$ 6,250	\$ 6,250	\$ -	\$ 6,250
Federal/state grants	72,968	72,968	-	72,968
Transfer from General Fund	572,294	572,294	-	572,294
Interest on investments	98,539	98,475	64	98,539
Reallocation of remaining authorizations	270,808	270,872	(64)	270,808
Street Light Installation:				
Transfer from General Fund	376,000	326,000	50,000	376,000
Interest on investments	92,983	92,729	254	92,983
Reallocation of remaining authorizations	(133,126)	(95,305)	(37,821)	(133,126)
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	336,214	336,214	-	336,214
Interest on investments	97,444	97,138	306	97,444
Reallocation of remaining authorizations	(240,772)	(240,466)	(306)	(240,772)
Herndon Community Center - Phase IV/ Fixtures:				
Proceeds from bond issue	4,800,000	4,800,000	-	4,800,000
Premium/(discount) on debt, net	(4,368)	(4,368)	-	(4,368)
Transfer from General Fund	1,290,000	1,290,000	-	1,290,000
Interest on investment	229,027	229,027	-	229,027
Reallocation of remaining authorizations	(1,335,068)	(1,355,950)	20,882	(1,335,068)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 3

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUE AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

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	59,221	59,096	125	59,221
Reallocation of remaining authorizations	(74,332)	(74,207)	(125)	(74,332)
Downtown Street Improvements:				
Federal/state grants	736,659	736,659	-	736,659
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	505,535	502,410	3,125	505,535
Reallocation of remaining authorizations	(1,503,118)	(1,510,134)	7,016	(1,503,118)
Tennis/Multi-Use Activity Center:				
Transfer from General Fund	731,500	690,000	41,500	731,500
Interest on investments	198,265	194,015	4,250	198,265
Reallocation of remaining authorizations	(383,516)	(337,766)	(45,750)	(383,516)
Gateway Entrances:				
Transfer from General Fund	112,000	62,000	50,000	112,000
Interest on investments	35,525	35,292	233	35,525
Reallocation of remaining authorizations	(56,969)	(49,753)	(7,216)	(56,969)



TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 4

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Trails and Sidewalks:				
Federal/state/ county grants	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Transfer from General Fund	179,000	179,000	-	179,000
Interest on investments	53,413	52,809	604	53,413
Reallocation of remaining authorizations	135,901	5,525	130,376	135,901
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	56,228	134	56,362
Reallocation of remaining authorizations	(85,593)	(85,459)	(134)	(85,593)
Nash Street Improvements:				
Builders contributions	5,000	5,000	-	5,000
Transfer from General Fund	8,000	8,000	-	8,000
Interest on investments	8,516	8,516	-	8,516
Reallocation of remaining authorizations	(10,076)	(10,076)	-	(10,076)
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	31,321	10,500	41,821

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-7  
Page 5**

**CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
South Elden Street Improvements:				
Federal/state grants	\$ 405,105	\$ 405,105	-	\$ 405,105
Transfer from General Fund	363,726	363,726	-	363,726
Proceeds from bond issue	590,274	590,274	-	590,274
Interest on investments	264,964	264,897	67	264,964
Reallocation of remaining authorizations	(300,083)	(300,016)	(67)	(300,083)
East Elden Street Interim Improvements:				
Transfer from General Fund	370,000	370,000	-	370,000
Interest on investments	69,296	69,176	120	69,296
Reallocation of remaining authorizations	(46,211)	(44,562)	(1,649)	(46,211)
Town Depot Improvements:				
Transfer from General Fund	70,000	70,000	-	70,000
Interest on investments	59,618	59,427	191	59,618
Reallocation of remaining authorizations	(39,346)	(39,155)	(191)	(39,346)
Town Hall Rehabilitation:				
Transfer from General Fund	124,000	124,000	-	124,000
Interest on investments	49,379	49,379	-	49,379
Reallocation of remaining authorizations	(76,608)	(89,868)	13,260	(76,608)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 6

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

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	\$ 9,457	\$ 9,396	\$ 61	\$ 9,457
Reallocation of remaining authorizations	205,424	205,485	(61)	205,424
Skate Park Facility:				
Builder contributions	150,000	150,000	-	150,000
Transfer from General Fund	25,000	25,000	-	25,000
Interest on investments	39,247	39,247	-	39,247
Reallocation of remaining authorizations	(45,727)	(40,155)	(5,572)	(45,727)
Elden Street/Center Street Intersection Improvements:				
Proceeds from bond issue	50,000	50,000	-	50,000
Transfer from General Fund	50,000	50,000	-	50,000
Interest on investments	37,241	36,968	273	37,241
Reallocation of remaining authorizations	(37,241)	(36,968)	(273)	(37,241)
Pearl/Nash/Oak/Wood Streets Improvements:				
Proceeds from bond issue	1,000,000	1,000,000	-	1,000,000
Transfer from General Fund	135,000	135,000	-	135,000
Interest on investments	67,779	67,194	585	67,779
Reallocation of remaining authorizations	(495,109)	(575,795)	80,686	(495,109)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 7

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
W & OD Trail Enhancements (CMAQ grant):				
Federal/state grants	\$ 41,191	\$ -	\$ 41,191	\$ 41,191
Interest on investments	64,504	63,684	820	64,504
Reallocation of remaining authorizations	238,268	382,312	(144,044)	238,268
Station Street Improvements:				
Federal/state grants	184,191	148,350	35,841	184,191
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	144,579	139,803	4,776	144,579
Donated property	11,000	11,000	-	11,000
Reallocation of remaining authorizations	531,532	512,814	18,718	531,532
Metro Rail/Worldgate Area Planning:				
Transfer from General Fund	300,000	300,000	-	300,000
Interest on investments	7,091	7,027	64	7,091
Reallocation of remaining authorizations	13,931	13,995	(64)	13,931
Stream Bank Stabilization:				
Transfer from General Fund	30,000	30,000	-	30,000
Interest on investments	2,099	2,099	-	2,099
Reallocation of remaining authorizations	(2,099)	(2,099)	-	(2,099)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 8

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Park Avenue and Monroe Street Intersection:				
Federal/state grants	\$ 57,083	\$ 33,499	\$ 23,584	\$ 57,083
Proceeds from bond issue	742,000	742,000	-	742,000
Transfer from General Fund	60,000	60,000	-	60,000
Interest on investments	95,611	91,014	4,597	95,611
Reallocation of remaining authorizations	737,117	600,188	136,929	737,117
Herndon Parkway Intersections Studies (VDOT grant):				
Federal/state grants	71,269	37,209	34,060	71,269
Interest on investments	164,284	158,127	6,157	164,284
Reallocation of remaining authorizations	2,122,227	1,564,613	557,614	2,122,227
Improvements to 397 Herndon Parkway:				
Interest on investments	6,348	6,234	114	6,348
Reallocation of remaining authorizations	80,058	44,903	35,155	80,058
W & OD Trail Lighting:				
Builder contributions	130,000	30,000	100,000	130,000
Interest on investments	7,688	7,158	530	7,688
Reallocation of remaining authorizations	104,602	(7,158)	111,760	104,602

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 9

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Downtown Utility Relocation:	\$	\$	\$	\$
Federal/state grants	955,575	955,575	-	955,575
Transfer from General Fund	300,000	150,000	150,000	300,000
Interest on investments	6,223	5,403	820	6,223
Reallocation of remaining authorizations	(19,866)	(19,046)	(820)	(19,866)
Dranesville Road Improvements:				
Federal/state grants	342,053	-	342,053	342,053
Proceeds from bond issue	200,000	200,000	-	200,000
Transfer from General Fund	325,000	250,000	75,000	325,000
Interest on investments	36,663	35,837	826	36,663
Reallocation of remaining authorizations	91,905	348,991	(257,086)	91,905
Haley M. Smith Park - Service Building:				
Builder contributions	40,000	40,000	-	40,000
Interest on investments	1,482	1,426	56	1,482
Reallocation of remaining authorizations	(1,882)	(1,826)	(56)	(1,882)
Major Road Repaving:				
Transfer from General Fund	350,600	325,000	25,600	350,600
Interest on investments	2,057	2,057	-	2,057
Reallocation of remaining authorizations	(68,164)	(2,084)	(66,080)	(68,164)

TOWN OF HERNDON, VIRGINIA

Exhibit B-7  
Page 10

CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2013

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Major Building Maintenance:				
Interest on investments	\$ 695	\$ -	\$ 695	\$ 695
Reallocation of remaining authorizations	11,881	-	11,881	11,881
Storm Water Management/ Chesapeake Bay Regulations:				
Fairfax County grant	98,000	-	98,000	98,000
Interest on investments	478	-	478	478
Reallocation of remaining authorizations	174,425	-	174,425	174,425
Vehicular & Pedestrian Access to Herndon Metro Rail Station:				
Interest on investments	905	-	905	905
Reallocation of remaining authorizations	330,130	-	330,130	330,130
Assigned to Subsequent Years' Expenditures:				
Transfer from Information Systems Improvement Fund	226,568	226,568	-	226,568
Miscellaneous	83,974	83,960	14	83,974
Reallocation of remaining authorizations	(670,756)	461,795	(1,132,551)	(670,756)
<b>Totals</b>	<b>\$ 27,060,189</b>	<b>\$ 25,896,258</b>	<b>\$ 1,163,931</b>	<b>\$ 27,060,189</b>

TOWN OF HERNDON, VIRGINIA

Exhibit B-8  
Page 1

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2013

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Folly Lick Watershed	\$ 394,062	\$ 385,723	\$ -	\$ 385,723	\$ 8,339
Horse Pen Run Watershed	41,705	15,423	20,933	36,356	5,349
Storm Drain Easement/Construction	2,249,222	1,907,913	27,356	1,935,269	313,953
Huntmar-Spring/Van Buren Street Improvements	20,381	1,631	-	1,631	18,750
Traffic Signals and Automated Control Systems	1,020,859	997,491	-	997,491	23,368
Street Light Installations	335,857	207,282	35,731	243,013	92,844
Ball Field Improvements/Recreation Facilities	329,386	218,656	-	218,656	110,730
Herndon Community Center - Phase IV/ Fixtures	4,979,591	4,950,503	20,882	4,971,385	8,206
Locust Street Improvements	45,972	111	-	111	45,861
Downtown Street Improvements	2,293,076	1,137,398	12,642	1,150,040	1,143,036
Tennis/Multi-Use Activity Center	546,249	546,249	-	546,249	-
Gateway Entrances	90,556	5,232	-	5,232	85,324
Trails and Sidewalks	418,314	192,497	4,980	197,477	220,837
Town Shop Improvements	1,185,769	1,130,496	6,383	1,136,879	48,890
Nash Street Improvements	11,440	6,226	-	6,226	5,214
Bus Stop Shelters	97,045	58,914	25,990	84,904	12,141
South Elden Street Improvements	1,323,986	1,299,514	-	1,299,514	24,472
East Elden Street Interim Improvements	393,085	348,828	472	349,300	43,785
Town Depot Improvements	90,272	20,313	-	20,313	69,959
Town Hall Rehabilitation	96,771	58,275	38,496	96,771	-



TOWN OF HERNDON, VIRGINIA

Exhibit B-8  
Page 2

CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2013

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
HMC Computer Equipment Room Renovations	\$ 214,881	\$ 192,577	\$ -	\$ 192,577	\$ 22,304
Skate Park Facility	168,520	168,179	341	168,520	-
Elden Street/Center Street Intersection Improvements	100,000	-	-	-	100,000
Pearl/Nash/Oak/Wood Streets Improvements	707,670	329,133	378,537	707,670	-
W & OD Trail Enhancements (CMAQ grant)	343,963	41,191	2,772	43,963	300,000
Station Street Improvements	2,014,302	345,271	79,155	424,426	1,589,876
Metro Rail/Worldgate Area Planning	321,022	297,488	-	297,488	23,534
Stream Bank Stabilization	30,000	18,000	-	18,000	12,000
Park Avenue and Monroe Street Intersection	1,691,811	119,837	27,791	147,628	1,544,183
Herndon Parkway Intersections Studies (VDOT grant)	2,357,780	37,209	68,818	106,027	2,251,753
Improvements to 397 Herndon Parkway	86,406	15,573	-	15,573	70,833
W & OD Trail Lighting	242,290	-	48,476	48,476	193,814
Downtown Utility Relocation	1,241,932	941,932	-	941,932	300,000
Dranesville Road Improvements	995,621	109,744	583,681	693,425	302,196
Haley M. Smith Park - Service Building	39,600	-	19,131	19,131	20,469
Major Road Repaving	284,493	267,874	27	267,901	16,592
Major Building Maintenance	12,576	-	12,576	12,576	-
Storm Water Management/ Chesapeake Bay Regulations	272,903	-	98,000	98,000	174,903
Vehicular & Pedestrian Access to Herndon Metro Rail Station	331,035	-	-	-	331,035
Assigned to Subsequent Years' Expenditures	(291,400)	738,000	-	738,000	(1,029,400)
<b>Totals</b>	<b>\$ 27,129,003</b>	<b>\$ 17,110,683</b>	<b>\$ 1,513,170</b>	<b>\$ 18,623,853</b>	<b>\$ 8,505,150</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-9**

**INFORMATION SYSTEMS IMPROVEMENT FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2013**

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Personal Computers, Printers and File Servers	\$ 1,697,928	\$ 1,398,415	\$ 19,396	\$ 1,417,811	\$ 280,117
WAN/INET and Internet Presence	1,068,801	1,009,971	58,830	1,068,801	-
Citizens Relationship Software	195,473	192,998	-	192,998	2,475
Financial/Human Resources					
Software Replacement	639,780	39,578	53,489	93,067	546,713
Disaster Recovery/Business Continuity Plans	78,251	78,251	-	78,251	-
Parks & Recreation Registration Software	71,134	-	54,587	54,587	16,547
Assigned to Subsequent Years' Expenditures/ Future Financing Needed for Authorizations	(727,857)	-	-	-	(727,857)
<b>Totals</b>	<b>\$ 3,023,510</b>	<b>\$ 2,719,213</b>	<b>\$ 186,302</b>	<b>\$ 2,905,515</b>	<b>\$ 117,995</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-10

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**WATER AND SEWER FUND**  
**Year Ended June 30, 2013**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Sale of water	\$ 2,830,000	\$ 2,648,138	\$ (181,862)
Sewer service charges	3,360,000	3,284,276	(75,724)
Late payment charges	62,000	62,650	650
Sale of commodities	9,500	12,316	2,816
Rents and leases	441,100	439,885	(1,215)
Miscellaneous	26,900	11,539	(15,361)
<b>Total operating revenues</b>	<b>6,729,500</b>	<b>6,458,804</b>	<b>(270,696)</b>
Operating expenses:			
Finance	235,909	241,683	5,774
Water main maintenance	2,242,815	1,969,941	(272,874)
Sewer service charge	4,473,908	3,622,066	(851,842)
Contractual services	466,570	466,570	-
Nondepartmental:			
Depreciation and amortization	-	711,462	711,462
Miscellaneous	55,420	52,703	(2,717)
<b>Total operating expenses</b>	<b>7,474,622</b>	<b>7,064,425</b>	<b>(410,197)</b>
<b>Operating loss</b>	<b>(745,122)</b>	<b>(605,621)</b>	<b>139,501</b>
Nonoperating revenues:			
Investment earnings	340,000	46,500	(293,500)
Availability fees	568,000	277,902	(290,098)
<b>Total nonoperating revenues</b>	<b>908,000</b>	<b>324,402</b>	<b>(583,598)</b>
<b>Income (loss) before capital contributions</b>	<b>162,878</b>	<b>(281,219)</b>	<b>(444,097)</b>
Capital contributions	-	119,085	119,085
<b>Change in net position</b>	<b>\$ 162,878</b>	<b>(162,134)</b>	<b>\$ (325,012)</b>
Total net position, July 1		<u>23,773,987</u>	
Total net position, June 30		<u>\$ 23,611,853</u>	

## TOWN OF HERNDON, VIRGINIA

Exhibit B-11

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**GOLF COURSE FUND**  
**Year Ended June 30, 2013**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Rents and leases	\$ 41,750	\$ 43,123	\$ 1,373
Greens fees	954,930	981,722	26,792
Golf cart revenue	268,300	277,871	9,571
Golf pro shop sales	64,500	65,560	1,060
Driving range fees	63,400	67,807	4,407
Miscellaneous	18,800	23,097	4,297
<b>Total operating revenues</b>	<b>1,411,680</b>	<b>1,459,180</b>	<b>47,500</b>
Operating expenses:			
Golf course operations	683,881	691,070	7,189
Golf course club house	588,455	583,452	(5,003)
Nondepartmental:			
Depreciation and amortization	-	219,911	219,911
Miscellaneous	55,270	57,398	2,128
<b>Total operating expenses</b>	<b>1,327,606</b>	<b>1,551,831</b>	<b>224,225</b>
<b>Operating income (loss)</b>	<b>84,074</b>	<b>(92,651)</b>	<b>(176,725)</b>
Nonoperating revenues (expenses):			
Investment earnings	26,000	8,375	(17,625)
Interest expense	(44,300)	(43,314)	986
<b>Total nonoperating expenses, net</b>	<b>(18,300)</b>	<b>(34,939)</b>	<b>(16,639)</b>
<b>Income (loss) before capital contributions</b>	<b>65,774</b>	<b>(127,590)</b>	<b>(193,364)</b>
Capital contributions	-	61,160	61,160
<b>Change in net position</b>	<b>\$ 65,774</b>	<b>(66,430)</b>	<b>\$ (132,204)</b>
Total net position, July 1		3,599,000	
Total net position, June 30		<u>\$ 3,532,570</u>	

## TOWN OF HERNDON, VIRGINIA

Exhibit B-12

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**CHESTNUT GROVE CEMETERY FUND**  
**Year Ended June 30, 2013**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Cemetery sites	\$ 325,900	\$ 423,865	\$ 97,965
Interment services	139,200	144,755	5,555
Merchandise sales	124,750	126,610	1,860
Miscellaneous	21,500	34,920	13,420
<b>Total operating revenues</b>	<b>611,350</b>	<b>730,150</b>	<b>118,800</b>
Operating expenses:			
Cemetery operations	519,670	502,533	(17,137)
Nondepartmental:			
Depreciation and amortization	-	114,277	114,277
Miscellaneous	21,880	22,407	527
<b>Total operating expenses</b>	<b>541,550</b>	<b>639,217</b>	<b>97,667</b>
<b>Operating income</b>	<b>69,800</b>	<b>90,933</b>	<b>21,133</b>
Nonoperating revenues (expenses):			
Investment earnings	8,000	14,591	6,591
Interest expense	(92,350)	(90,620)	1,730
<b>Total nonoperating expenses, net</b>	<b>(84,350)</b>	<b>(76,029)</b>	<b>8,321</b>
<b>Income (loss) before transfers</b>	<b>(14,550)</b>	<b>14,904</b>	<b>29,454</b>
Transfers in	68,000	18,279	(49,721)
Transfers out	(32,590)	(42,387)	(9,797)
<b>Change in net position</b>	<b>\$ 20,860</b>	<b>(9,204)</b>	<b>\$ (30,064)</b>
Total net position, July 1		1,049,251	
Total net position, June 30		<u>\$ 1,040,047</u>	

## TOWN OF HERNDON, VIRGINIA

Exhibit B-13

**PROPRIETARY FUND TYPE**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**DOWNTOWN PARKING ENTERPRISE FUND**  
**Year Ended June 30, 2013**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Miscellaneous	\$ 12,700	\$ 26,902	\$ 14,202
<b>Total operating revenues</b>	<b>12,700</b>	<b>26,902</b>	<b>14,202</b>
Operating expenses:			
Downtown parking	24,986	24,660	(326)
Depreciation and amortization	-	4,730	4,730
<b>Total operating expenses</b>	<b>24,986</b>	<b>29,390</b>	<b>4,404</b>
<b>Operating loss</b>	<b>(12,286)</b>	<b>(2,488)</b>	<b>9,798</b>
Nonoperating revenues:			
Investment earnings	11,430	11,428	(2)
<b>Total nonoperating revenues</b>	<b>11,430</b>	<b>11,428</b>	<b>(2)</b>
<b>Income (loss) before transfers</b>	<b>(856)</b>	<b>8,940</b>	<b>9,796</b>
Transfers in	200,000	200,000	-
<b>Change in net position</b>	<b>\$ 199,144</b>	<b>208,940</b>	<b>\$ 9,796</b>
Total net position, July 1		1,722,405	
Total net position, June 30		\$ 1,931,345	



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**STATISTICAL SECTION**

## TOWN OF HERNDON, VIRGINIA

### STATISTICAL SECTION TABLE OF CONTENTS

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

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

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



**TOWN OF HERNDON, VIRGINIA**

**Table 1**

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

	June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>										
Net investment in capital assets										
Restricted	\$ 21,919,935	\$ 27,816,034	\$ 31,719,000	\$ 72,076,117	\$ 72,923,937	\$ 72,604,103	\$ 72,888,823	\$ 71,869,483	\$ 70,770,618	\$ 67,773,944
Unrestricted	1,169,431	1,193,044	1,215,485	1,244,028	1,268,979	1,298,335	1,331,216	-	-	3,156,244
	19,823,629	12,107,024	12,131,044	11,575,112	11,780,466	11,187,939	11,136,298	12,710,197	13,453,945	12,982,159
<b>Total governmental activities net assets</b>	<b>\$ 42,912,995</b>	<b>\$ 41,116,102</b>	<b>\$ 45,065,529</b>	<b>\$ 84,895,257</b>	<b>\$ 85,973,382</b>	<b>\$ 85,090,377</b>	<b>\$ 85,356,337</b>	<b>\$ 84,579,680</b>	<b>\$ 84,224,563</b>	<b>\$ 83,912,347</b>
<b>Business-type activities:</b>										
Net investment in capital assets										
Restricted	\$ 14,423,535	\$ 15,086,244	\$ 15,722,161	\$ 16,466,974	\$ 16,308,652	\$ 15,947,667	\$ 14,723,720	\$ 15,029,325	\$ 14,333,960	\$ 14,277,687
Unrestricted	17,562,414	16,955,114	15,966,544	14,919,283	14,205,592	13,837,158	15,190,726	14,896,236	15,810,693	15,838,128
<b>Total business-type activities net assets</b>	<b>\$ 31,985,949</b>	<b>\$ 32,041,358</b>	<b>\$ 31,688,705</b>	<b>\$ 31,386,257</b>	<b>\$ 30,514,244</b>	<b>\$ 29,784,825</b>	<b>\$ 29,914,446</b>	<b>\$ 29,925,561</b>	<b>\$ 30,144,643</b>	<b>\$ 30,115,815</b>
<b>Primary government:</b>										
Net investment in capital assets										
Restricted	\$ 36,343,470	\$ 42,902,278	\$ 47,441,161	\$ 88,543,091	\$ 89,232,589	\$ 88,551,770	\$ 87,612,543	\$ 86,898,808	\$ 85,104,578	\$ 82,051,631
Unrestricted	1,169,431	1,193,044	1,215,485	1,244,028	1,268,979	1,298,335	1,331,216	-	-	3,156,244
	37,386,043	29,062,138	28,097,588	26,494,395	25,986,058	25,025,097	26,327,024	27,606,433	29,284,628	28,820,287
<b>Total primary government net assets</b>	<b>\$ 74,898,944</b>	<b>\$ 73,157,460</b>	<b>\$ 76,754,234</b>	<b>\$ 116,281,514</b>	<b>\$ 116,487,626</b>	<b>\$ 114,875,202</b>	<b>\$ 115,270,783</b>	<b>\$ 114,505,241</b>	<b>\$ 114,389,206</b>	<b>\$ 114,028,162</b>

**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.'

## TOWN OF HERNDON, VIRGINIA

## CHANGES IN NET POSITION/ASSETS

## LAST TEN FISCAL YEARS

(accrual basis of accounting)

(Unaudited)

Table 2  
Page 1

Fiscal Year June 30,										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses:</b>										
Governmental activities:										
Legislative	\$ 334,582	\$ 588,708	\$ 599,013	\$ 684,636	\$ 685,284	\$ 654,002	\$ 633,438	\$ 623,912	\$ 583,204	\$ 640,816
Administration	2,742,074	2,666,678	2,991,781	2,911,464	2,945,108	3,226,320	2,164,235	2,259,326	2,644,089	2,744,129
Town attorney	328,181	352,556	415,156	393,808	461,394	519,437	532,305	587,992	475,518	497,761
Parks and recreation	3,382,361	3,467,051	3,665,259	4,350,958	4,462,531	4,658,971	4,310,670	4,363,722	4,359,512	4,608,079
Finance	1,030,116	1,087,203	1,165,622	1,191,893	1,307,331	1,348,980	1,288,960	1,215,584	1,291,803	1,379,724
Community development	1,112,704	1,341,611	1,539,821	1,735,596	1,652,196	1,950,546	2,353,844	2,346,085	2,138,936	2,127,055
Police	6,576,514	6,868,424	7,887,728	8,460,046	8,759,234	9,257,315	9,009,339	8,548,326	8,834,312	9,465,667
Public works	6,022,510	7,988,506	7,606,343	10,363,763	11,278,365	11,229,845	10,817,176	10,493,058	11,861,291	11,488,561
Grants	95,391	79,212	-	-	-	-	-	-	-	-
Interest	698,104	826,972	904,816	940,449	875,509	813,800	765,523	807,330	938,843	533,155
<b>Total governmental activities</b>	<b>22,320,537</b>	<b>25,266,921</b>	<b>26,775,539</b>	<b>31,012,613</b>	<b>32,426,952</b>	<b>33,659,016</b>	<b>31,875,490</b>	<b>31,245,335</b>	<b>33,127,508</b>	<b>33,484,947</b>
Business-type activities:										
Water and sewer	5,340,723	5,873,518	6,135,079	6,756,592	6,692,754	6,836,413	6,615,960	6,715,723	7,173,978	7,064,425
Golf course	1,352,730	1,332,748	1,464,539	1,398,081	1,564,081	1,530,464	1,561,787	1,476,713	1,531,506	1,595,145
Chestnut Grove cemetery	343,509	382,021	448,989	442,171	652,781	704,690	714,927	698,361	686,962	729,837
Downtown parking	38,571	40,750	129,847	79,465	278,725	65,844	44,814	77,374	29,473	29,390
<b>Total business-type activities</b>	<b>7,075,533</b>	<b>7,629,037</b>	<b>8,178,454</b>	<b>8,676,309</b>	<b>9,185,341</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>Total government expenses</b>	<b>29,396,070</b>	<b>32,895,958</b>	<b>34,953,993</b>	<b>39,688,922</b>	<b>41,615,293</b>	<b>42,796,427</b>	<b>40,812,978</b>	<b>40,213,506</b>	<b>42,549,427</b>	<b>42,903,744</b>
<b>Program revenue:</b>										
Governmental activities:										
Charges for services:										
Administration	30,518	40,281	33,874	36,634	46,447	20,650	12,827	28,242	20,573	19,606
Parks and recreation	1,938,317	1,991,640	2,019,553	2,198,645	2,394,257	2,551,346	2,720,621	2,848,308	2,837,304	2,826,309
Finance	293,700	302,510	366,100	382,570	401,700	421,790	442,880	465,020	488,270	512,690
Police	742,418	461,538	475,407	555,217	509,890	579,682	544,060	543,607	583,820	498,279
Public works	475,311	568,194	470,699	546,176	398,234	466,595	495,331	498,571	421,503	687,130
Operating grants and contributions:										
Legislative	3,227	1,906	-	-	-	-	-	-	-	-
Administration	136,774	144,634	197,563	174,757	177,155	195,616	112,141	114,732	29,348	-
Community development	2,500	-	-	638	451	-	130,958	87,289	129,380	130,823
Police	815,365	851,697	1,084,006	1,089,540	916,457	1,045,779	954,847	898,306	707,317	627,749
Public works	494,368	1,193,149	1,088,463	940,045	1,896,712	739,287	1,097,785	864,727	806,055	890,712
Capital grants and contributions:										
Police	-	-	-	-	-	-	-	5,000	-	-
Public works	3,366,370	1,645,937	3,381,970	11,715,486	1,013,922	1,164,938	1,645,234	1,233,410	2,570,040	1,881,507
<b>Total governmental activities program revenue</b>	<b>8,298,668</b>	<b>7,201,486</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>	<b>8,156,684</b>	<b>7,587,212</b>	<b>8,593,610</b>	<b>8,074,805</b>

## TOWN OF HERNDON, VIRGINIA

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

Table 2  
Page 2

Fiscal Year June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program revenues (Continued):</b>										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 3,983,922	\$ 3,956,967	\$ 4,301,639	\$ 4,418,419	\$ 4,509,547	\$ 4,378,611	\$ 5,022,814	\$ 5,372,350	\$ 5,815,824	\$ 6,007,380
Golf course	1,381,100	1,289,877	1,236,010	1,395,824	1,501,835	1,469,522	1,396,993	1,279,442	1,419,051	1,392,960
Chestnut Grove cemetery	245,340	326,241	418,563	507,959	406,729	536,054	568,783	596,106	639,107	695,230
Operating grants and contributions:										
Water and sewer	1,533,682	845,013	719,489	449,735	523,025	519,711	644,817	555,893	391,965	277,902
Capital grants and contributions:										
Water and sewer	465,844	380,857	553,422	308,341	41,500	75,420	78,291	314,121	50,512	119,085
Golf course	-	-	-	-	-	-	-	-	-	61,160
Downtown parking	113,889	-	-	-	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>7,723,777</b>	<b>6,798,955</b>	<b>7,229,123</b>	<b>7,080,278</b>	<b>6,982,636</b>	<b>6,979,318</b>	<b>7,711,698</b>	<b>8,117,912</b>	<b>8,316,459</b>	<b>8,553,717</b>
<b>Total government program revenues</b>	<b>16,022,645</b>	<b>14,000,441</b>	<b>16,326,758</b>	<b>24,719,986</b>	<b>14,737,861</b>	<b>14,165,001</b>	<b>15,868,382</b>	<b>15,705,124</b>	<b>16,910,069</b>	<b>16,628,522</b>
<b>Net (expense) revenue:</b>	<b>(14,021,669)</b>	<b>(18,065,435)</b>	<b>(17,677,904)</b>	<b>(13,372,905)</b>	<b>(24,671,727)</b>	<b>(26,473,333)</b>	<b>(23,718,806)</b>	<b>(23,658,123)</b>	<b>(24,533,898)</b>	<b>(25,410,142)</b>
Governmental activities	648,244	(830,082)	(949,331)	(1,586,031)	(2,205,705)	(2,158,093)	(1,225,790)	(850,259)	(1,105,460)	(865,080)
Business-type activities	(13,373,425)	(18,895,517)	(18,627,235)	(14,968,936)	(26,877,432)	(28,631,426)	(24,944,596)	(24,508,382)	(25,639,358)	(26,275,222)
<b>Total government net expense</b>										
<b>General revenues and other changes in net position/assets:</b>										
Governmental activities:										
Taxes:										
General property	7,445,745	7,749,706	8,666,348	10,457,592	11,395,778	11,305,328	10,417,959	9,117,669	9,484,072	10,153,920
Business license	2,652,045	3,045,781	2,707,012	3,179,323	3,260,125	3,458,908	3,395,732	3,788,311	3,928,098	4,481,963
Transient occupancy	1,846,065	2,127,742	2,414,308	2,465,479	2,678,892	2,493,698	2,202,096	2,212,811	2,235,969	2,088,149
Local sales	1,580,307	1,647,228	1,580,278	1,639,448	1,661,725	1,511,792	1,413,606	1,488,959	1,601,032	1,668,325
Meals	900,279	1,010,412	1,077,313	1,169,591	1,167,976	1,103,744	1,086,649	1,154,577	1,991,460	2,008,529
Other local taxes	2,785,736	3,414,504	4,024,553	3,880,153	3,944,832	3,785,126	4,013,468	2,317,896	2,264,521	2,195,384
Revenues not restricted to specific programs	38,652	77,343	70,136	77,624	84,118	89,937	92,844	193,634	-	82,940
Intergovernmental, non-categorical aid	162,315	117,177	120,770	135,559	63,070	42,626	29,026	1,827,856	1,790,631	1,957,744
Use of money and property	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066	1,216,859	725,320	899,551	451,965
Miscellaneous	98,297	72,595	84,178	11,828	190,623	439,355	144,995	64,412	201,030	184,899
Gain on sale of capital assets	840,518	1,530	1,900	19,573	52,309	-	-	-	-	-
Transfers	(33,573)	(26,526)	13,960	(63,158)	(82,139)	(46,252)	(28,468)	(9,979)	(217,583)	(175,892)
<b>Total government activities</b>	<b>18,542,804</b>	<b>19,919,822</b>	<b>21,627,331</b>	<b>24,375,984</b>	<b>25,749,852</b>	<b>25,590,328</b>	<b>23,984,766</b>	<b>22,881,466</b>	<b>24,178,781</b>	<b>25,097,926</b>

## TOWN OF HERNDON, VIRGINIA

## CHANGES IN NET POSITION/ASSETS

## LAST TEN FISCAL YEARS

(accrual basis of accounting)

(Unaudited)

Table 2  
Page 3

	Fiscal Year, June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General revenues and other changes in net position/assets: (Continued)										
Business-type activities:										
Use of money and property										
Miscellaneous	\$ 50,658	\$ 549,990	\$ 286,132	\$ 966,969	\$ 969,476	\$ 1,014,947	\$ 835,100	\$ 291,614	\$ 547,645	\$ 80,894
Transfers	290,189	308,975	324,506	263,456	282,077	367,475	491,843	559,781	559,314	579,466
	33,573	26,526	(13,960)	63,158	82,139	46,252	28,468	9,979	217,583	175,892
Total business-type activities	374,420	885,491	596,678	1,293,583	1,333,692	1,428,674	1,355,411	861,374	1,324,542	836,252
Total primary government	18,917,224	20,805,313	22,224,009	25,669,567	27,083,544	27,019,002	25,340,177	23,742,840	25,503,323	25,934,178
Changes in net position/assets:										
Governmental activities	4,521,135	1,854,387	3,949,427	11,003,079	1,078,125	(883,005)	265,960	(776,657)	(355,117)	(312,216)
Business-type activities	1,022,664	55,409	(352,653)	(302,448)	(872,013)	(729,419)	129,621	11,115	219,082	(28,828)
Total primary government	\$ 5,543,799	\$ 1,909,796	\$ 3,596,774	\$ 10,700,631	\$ 206,112	\$ (1,612,424)	\$ 395,581	\$ (765,542)	\$ (136,035)	\$ (341,044)

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fiscal Year June 30,										
Governmental activities:										
Legislative	\$ 3,227	\$ 1,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	167,292	184,915	231,437	211,391	223,602	216,266	124,968	142,974	49,921	19,606
Parks and recreation	1,938,317	1,991,640	2,019,553	2,198,645	2,394,257	2,551,346	2,720,621	2,848,308	2,837,304	2,826,309
Finance	293,700	302,510	366,100	382,570	401,700	421,790	442,880	465,020	488,270	512,690
Community development	2,500	-	-	638	451	-	130,958	87,289	129,380	130,823
Police	1,557,783	1,313,235	1,559,413	1,644,757	1,426,347	1,625,461	1,498,907	1,446,913	1,291,137	1,126,028
Public works	4,336,049	3,407,280	4,921,132	13,201,707	3,308,868	2,370,820	3,238,350	2,596,708	3,797,598	3,459,349
Total governmental activities	8,298,868	7,201,486	9,097,635	17,639,708	7,755,225	7,185,683	8,156,684	7,587,212	8,593,610	8,074,805
Business-type activities:										
Water and sewer	5,983,448	5,182,837	5,574,550	5,176,495	5,074,072	4,973,742	5,745,922	6,242,364	6,258,301	6,404,367
Golf course	1,381,100	1,289,877	1,236,010	1,395,824	1,501,835	1,469,522	1,396,993	1,279,442	1,419,051	1,454,120
Chestnut Grove cemetery	245,340	326,241	418,563	507,959	406,729	536,054	568,783	596,106	639,107	695,230
Downtown parking	113,889	-	-	-	-	-	-	-	-	-
Total business-type activities	7,723,777	6,798,955	7,229,123	7,080,278	6,982,636	6,979,318	7,711,698	8,117,912	8,316,459	8,553,717
Total government	\$ 16,022,645	\$ 14,000,441	\$ 16,326,758	\$ 24,719,986	\$ 14,737,861	\$ 14,165,001	\$ 15,868,382	\$ 15,705,124	\$ 16,910,069	\$ 16,628,522

Note:

(1) In years 2004 through 2013, the public works department received donated assets of \$2,877,947, \$895,362, \$2,854,521 \$10,904,769, \$215,931, \$169,792, \$738,713, \$251,315, \$484,901 and \$458,718, respectively, which is included in revenue above.

**TOWN OF HERNDON, VIRGINIA**

**FUND BALANCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

*(modified accrual basis of accounting)  
(unaudited)*

**Table 4**

	June 30,			
	2004	2005	2006	2007
General Fund:				
Nonspendable	\$ 843,829	\$ 810,834	\$ 777,549	\$ 777,549
Assigned	1,330,781	1,542,828	1,514,448	1,514,448
Unassigned	5,439,713	5,032,926	5,505,291	5,505,291
<b>Total General Fund</b>	<b>\$ 7,614,323</b>	<b>\$ 7,386,588</b>	<b>\$ 7,797,288</b>	<b>\$ 7,797,288</b>
All Other Governmental Funds:				
Committed	\$ 1,169,431	\$ 1,193,044	\$ 1,215,485	\$ 1,244,028
Assigned	9,339,216	6,102,071	6,776,899	5,560,103
<b>Total all other governmental funds</b>	<b>\$ 10,508,647</b>	<b>\$ 7,295,115</b>	<b>\$ 7,992,384</b>	<b>\$ 6,804,131</b>
General Fund:				
Nonspendable	\$ 696,928	\$ 521,699	\$ 465,104	\$ 437,038
Committed	-	-	-	200,000
Assigned	1,547,148	1,330,286	1,447,107	1,275,540
Unassigned	5,572,879	5,830,035	6,269,345	6,899,792
<b>Total General Fund</b>	<b>\$ 7,816,955</b>	<b>\$ 7,682,020</b>	<b>\$ 8,181,556</b>	<b>\$ 8,812,370</b>
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ 400
Committed	1,298,335	1,331,216	1,364,493	1,401,996
Assigned	6,283,685	8,714,791	9,094,285	9,073,286
<b>Total all other governmental funds</b>	<b>\$ 7,582,020</b>	<b>\$ 10,046,007</b>	<b>\$ 10,458,778</b>	<b>\$ 10,475,682</b>

Note:

(1) In fiscal year 2011, the Town adopted GASB 54 which changed fund balance classifications. Fiscal year 2004 - 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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
General property taxes	\$ 7,125,043	\$ 7,775,583	\$ 8,702,956	\$ 10,441,826	\$ 11,415,226	\$ 11,315,372	\$ 10,397,197	\$ 9,121,061	\$ 9,469,904	\$ 10,166,799
Other local taxes	9,771,887	11,257,001	11,803,484	12,333,994	12,713,550	12,353,268	12,111,551	10,962,554	12,021,080	12,442,350
Permits, privilege fees and regulatory licenses	386,609	479,470	388,028	442,686	285,090	361,280	398,453	394,406	307,471	576,155
Fines and forfeitures	492,125	449,833	471,902	571,830	571,998	593,631	546,486	525,648	586,607	491,067
Use of money and property	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066	1,216,859	725,320	899,551	451,965
Charges for services	2,382,639	2,493,173	2,563,109	2,769,747	2,999,216	3,158,288	3,344,974	3,540,621	3,553,684	3,550,572
Miscellaneous	95,030	75,862	84,178	11,828	190,623	318,482	122,619	45,613	173,216	156,708
Intergovernmental	2,102,972	3,300,434	2,998,623	3,151,292	3,751,795	3,017,100	3,036,075	4,914,716	5,601,971	5,020,623
<b>Total revenues</b>	<b>22,582,723</b>	<b>26,513,686</b>	<b>27,878,835</b>	<b>31,126,175</b>	<b>33,260,041</b>	<b>32,523,487</b>	<b>31,174,214</b>	<b>30,229,939</b>	<b>32,613,484</b>	<b>32,856,239</b>
<b>Expenditures:</b>										
Legislative	329,467	581,659	605,038	659,583	660,310	651,245	621,490	621,830	574,002	633,519
Administration	2,230,922	2,181,253	2,373,380	2,463,940	2,621,611	2,443,752	1,794,756	1,875,307	2,039,372	2,249,139
Town attorney	321,597	350,048	415,617	390,529	455,322	522,946	533,800	580,099	465,714	494,245
Parks and recreation	3,075,665	3,141,800	3,353,890	3,628,248	3,922,569	3,896,866	3,588,867	3,637,139	3,615,552	3,851,099
Finance	962,466	1,022,423	1,137,903	1,177,062	1,263,848	1,291,102	1,237,706	1,159,375	1,236,659	1,302,849
Community development	1,083,711	1,269,554	1,479,769	1,679,530	1,647,157	1,853,933	2,258,153	2,060,965	2,069,278	2,051,139
Police	6,255,393	6,588,415	7,209,795	7,787,327	8,426,430	8,662,952	8,605,850	8,164,952	8,829,067	9,053,956
Public works	6,358,797	7,139,428	7,452,737	8,132,036	8,281,419	9,049,695	9,071,074	8,460,778	8,534,908	9,172,971
Grants	95,391	79,212	241,986	213,168	70,741	169,494	112,375	56,077	52,544	38,171
Capital outlay	8,519,502	5,493,994	6,078,124	3,630,995	2,452,376	1,354,695	1,713,889	1,117,577	2,313,599	1,699,472
Debt service:										
Principal	1,146,425	1,481,312	1,676,313	1,649,242	1,936,694	1,714,623	1,804,517	1,755,837	1,458,640	1,505,093
Interest and fiscal charges	666,283	853,937	902,549	969,521	881,041	800,142	808,155	838,530	695,817	494,954
<b>Total expenditures</b>	<b>31,045,619</b>	<b>30,183,035</b>	<b>32,927,101</b>	<b>32,381,181</b>	<b>32,619,318</b>	<b>32,411,445</b>	<b>32,150,632</b>	<b>30,328,466</b>	<b>31,885,152</b>	<b>32,546,607</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(8,462,896)</b>	<b>(3,669,349)</b>	<b>(5,048,266)</b>	<b>(1,255,006)</b>	<b>640,723</b>	<b>112,042</b>	<b>(976,418)</b>	<b>(98,527)</b>	<b>728,332</b>	<b>309,632</b>
<b>Other financing sources (uses):</b>										
Transfers in	2,107,506	3,598,613	1,216,293	1,508,043	1,424,483	551,856	1,255,981	755,777	666,003	584,487
Transfers out	(2,141,079)	(3,625,139)	(1,202,333)	(1,571,201)	(1,506,622)	(598,108)	(1,284,449)	(765,756)	(883,586)	(760,379)
Issuance of debt	8,500,000	-	5,490,000	500,000	-	-	3,240,000	902,500	97,500	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	1,766,365	4,999,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(1,760,506)	(4,986,906)	-
Premium (discount) on issuance debt	(70,800)	-	(4,368)	21,038	-	-	71,562	92,459	-	-
Proceeds from sale of property	2,021,743	1,530	18,208	19,573	52,309	120,873	22,376	19,995	27,375	29,876
<b>Total other financing sources (uses), net</b>	<b>10,417,370</b>	<b>(24,996)</b>	<b>5,517,800</b>	<b>477,453</b>	<b>(29,830)</b>	<b>74,621</b>	<b>3,305,470</b>	<b>1,010,834</b>	<b>(80,614)</b>	<b>(146,016)</b>
<b>Net changes in fund balances</b>	<b>\$ 1,954,474</b>	<b>\$ (3,694,345)</b>	<b>\$ 469,534</b>	<b>\$ (777,553)</b>	<b>\$ 610,893</b>	<b>\$ 186,663</b>	<b>\$ 2,329,052</b>	<b>\$ 912,307</b>	<b>\$ 647,718</b>	<b>\$ 163,616</b>

Debt service as a percentage of noncapital expenditures:																			
Total debt service																			
\$	1,812,708	\$	2,335,249	\$	2,578,862	\$	2,618,763	\$	2,817,735	\$	2,514,765	\$	2,612,672	\$	2,594,367	\$	2,154,457	\$	2,000,047
Total expenditures																			
\$	31,045,619	\$	30,183,035	\$	32,927,101	\$	32,381,181	\$	32,619,318	\$	32,411,445	\$	32,150,632	\$	30,328,466	\$	31,885,152	\$	32,546,607
Less: capital outlay																			
(9,233,499)		(5,241,256)		(6,484,548)		(2,909,600)		(1,721,592)		(1,236,989)		(2,115,568)		(920,817)		(1,325,046)		(1,784,169)	
Noncapital expenditures																			
\$	21,812,120	\$	24,941,779	\$	26,442,553	\$	29,471,581	\$	30,897,726	\$	31,174,456	\$	30,035,064	\$	29,407,649	\$	30,560,106	\$	30,762,438
Debt service as a percentage of noncapital expenditures																			
8.31%		9.36%		9.75%		8.89%		9.12%		8.07%		8.70%		8.82%		7.05%		6.50%	



# TOWN OF HERNDON, VIRGINIA

## TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(Unaudited)

Table 6

Fiscal Year June 30,	General Property Including Interest and Penalty (1)	Business License	Transient Occupancy (2)	Local Sales	Meals (3)	Cigarette (4)	Motor Vehicle	Consumer Utility and Consumption (5)	Mobile Tele- Communications (6)	5% Communications Sales and Use (7)	Other (8)	Total
2004	\$ 7,125,043	\$ 2,659,595	\$ 1,846,065	\$ 1,580,307	\$ 900,279	\$ 292,796	\$ 319,290	\$ 1,583,480	\$ -	\$ -	\$ 583,307	\$ 16,890,162
2005	7,775,583	3,055,880	2,127,742	1,647,228	1,010,412	276,565	317,489	1,711,601	337,634	-	772,450	19,032,584
2006	8,702,956	2,707,012	2,414,308	1,580,278	1,077,313	373,152	318,846	1,787,691	650,991	-	893,873	20,506,420
2007	10,441,826	3,179,323	2,465,479	1,639,448	1,169,591	352,223	288,512	1,327,411	316,404	-	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	-	847,892	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	-	1,928,078	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	-	1,796,554	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	-	1,853,246	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
Change 2004-2013	42.69%	68.52%	13.11%	5.57%	123.10%	14.03%	16.95%	-43.86%	0.00%	0.00%	2.71%	33.86%

128  
Source: Town records.

#### Notes:

- (1) Town's real property assessments have increased 57 percent from 2004 to 2013. However, the town's real estate tax rate decreased over the past ten years from \$0.28 per \$100 of assessed value (AV) to \$0.2650 per \$100 AV.
- (2) Over the past ten years, three new hotels were opened within the town's corporate limits.
- (3) 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.
- (4) Cigarette tax rate was increased from \$0.20 to \$0.35 per pack effective for fiscal years 2004 and 2005; from \$0.35 to \$0.50 per pack effective for fiscal years 2006 thru 2010; and from \$0.50 to \$0.75 per pack effective for fiscal years 2011, 2012 and 2013.
- (5) Increase in consumer utility tax collections for fiscal years 2004 through 2006 corresponds with increase in residential housing units and commercial office space built during the past ten years. 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 7)
- (6) 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 5 percent communications sales and use tax. (see Note 7)
- (7) 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.
- (8) 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
2004	\$ 1,285,769,310	\$ 1,089,621,980	\$ 158,205,107	\$ 94,944,650	\$ 2,628,541,047	\$ 2,533,596,397	3.33%	\$ 0.2800	\$ 2,533,596,397	100.00%
2005	1,458,102,379	1,167,782,655	141,520,282	100,362,250	2,867,767,566	2,767,405,316	9.23%	0.2800	2,767,405,316	100.00%
2006	1,924,855,719	1,417,144,440	138,361,962	115,928,125	3,596,290,246	3,480,362,121	25.76%	0.2500	3,480,362,121	100.00%
2007	2,417,778,953	1,801,437,496	187,449,426	148,854,355	4,555,520,230	4,406,665,875	26.62%	0.2400	4,406,665,875	100.00%
2008	2,478,870,750	2,118,458,610	152,834,703	148,854,355	4,899,018,418	4,750,164,063	7.79%	0.2400	4,750,164,063	100.00%
2009	2,370,955,949	2,212,843,650	145,578,271	235,205,540	4,964,583,410	4,729,377,870	(0.44)%	0.2400	4,729,377,870	100.00%
2010	1,679,450,917	2,174,409,910	148,261,544	222,736,840	4,224,859,211	4,002,122,371	(15.38)%	0.2600	4,002,122,371	100.00%
2011	1,596,786,795	1,684,423,215	137,947,036	202,647,500	3,621,804,546	3,419,157,046	(14.57)%	0.2675	3,419,157,046	100.00%
2012	1,708,496,320	1,747,193,177	134,258,362	204,073,885	3,794,021,744	3,589,947,859	5.00%	0.2650	3,589,947,859	100.00%
2013	1,801,809,710	1,925,923,584	119,532,778	205,388,122	4,052,654,194	3,847,266,072	7.17%	0.2650	3,847,266,072	100.00%

Sources:

Town of Herndon Department of Finance

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

Notes:

(1) Increases in assessments from 2004 through 2009 correspond to rapid increases in residential and commercial values, coupled with extensive residential and commercial building construction, which began in 1999.

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

**TOWN OF HERNDON, VIRGINIA**

**Table 8**

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

Fiscal Year June 30,	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2004	\$ 0.2800	\$ -	\$ 1.1600	\$ 4.5700	\$ 1.4400	\$ 4.5700
2005	0.2800	-	1.1300	4.5700	1.4100	4.5700
2006	0.2500	-	1.0000	4.5700	1.2500	4.5700
2007	0.2400	-	0.8900	4.5700	1.1300	4.5700
2008	0.2400	-	0.8900	4.5700	1.1300	4.5700
2009	0.2400	-	0.9200	4.5700	1.1600	4.5700
2010	0.2600	-	1.0400	4.5700	1.3000	4.5700
2011	0.2675	-	1.0900	4.5700	1.3575	4.5700
2012	0.2650	-	1.0750	4.5700	1.3400	4.5700
2013	0.2650	-	1.0850	4.5700	1.3500	4.5700

**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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
BP New Dominion Technology	\$ 82,460,930	1	2.14 %	\$ -	-	- %
New Dominion	72,669,990	2	1.89	-	-	-
Inland American Herndon Worldgate	72,142,720	3	1.88	-	-	-
Worldgate Centre Owner LLC	64,230,160	4	1.67	-	-	-
EQR Worldgate LLC	58,080,930	5	1.51	-	-	-
EQR- LLC	55,911,850	6	1.45	-	-	-
AC/MRP Monument III Associates LLC	55,471,290	7	1.44	-	-	-
Washington Real Estate Investment Trust	48,255,230	8	1.25	-	-	-
MIVIOP LLC	45,167,480	9	1.17	-	-	-
CLF Herndon LLC	45,013,530	10	1.17	-	-	-
Federal National Mortgage Assoc.	-	-	-	85,545,825	1	3.38
River Ridge	-	-	-	39,363,570	2	1.55
JWMFE Herndon LLC	-	-	-	38,957,115	3	1.54
Worldgate Centre LLC	-	-	-	38,037,365	4	1.50
Caleast Industrial	-	-	-	37,225,535	5	1.47
New Dominion Technology Park	-	-	-	32,849,165	6	1.30
CB Monument II, Inc	-	-	-	31,499,305	7	1.24
Dwoskin, Albert J. Tr.	-	-	-	31,057,965	8	1.23
First Herndon Assoc Limited	-	-	-	30,610,215	9	1.21
HMH Properties Inc.	-	-	-	29,291,600	10	1.16
<b>Total</b>	<b>\$ 599,404,110</b>		<b>15.58 %</b>	<b>\$ 394,437,660</b>		<b>15.57 %</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
2004	\$ 7,094,070	\$ 7,035,248	99.17%	\$ 58,822	\$ 7,094,070	100.00%
2005	7,748,735	7,707,990	99.47%	40,745	7,748,735	100.00%
2006	8,700,905	8,650,854	99.42%	50,051	8,700,905	100.00%
2007	10,466,159	10,398,449	99.35%	67,705	10,466,154	100.00%
2008	11,033,590	10,982,504	99.54%	51,086	11,033,590	100.00%
2009	11,001,119	10,961,629	99.64%	38,590	11,000,219	99.99%
2010	10,019,464	9,970,734	99.51%	45,319	10,016,053	99.97%
2011	8,709,325	8,657,610	99.41%	46,416	8,704,026	99.94%
2012	9,160,086	9,104,251	99.39%	44,825	9,149,076	99.88%
2013	9,880,992	9,845,894	99.64%	NA	9,845,894	99.64%

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		Percentage of		General Bonded Debt Outstanding	General Bonded Debt Outstanding
	General Obligation Bonds	Capital Leases and Notes	Revenue Bonds	Debt Per Capita		Personal Income	Actual Taxable Value of Property				
2004	\$ 19,838,041	\$ -	\$ 1,814,822	\$ 21,652,863	1.77%	\$ 960	\$ 19,838,041	0.78%	\$ 879		
2005	18,360,268	-	1,737,796	20,098,064	1.52%	883	18,360,268	0.66%	807		
2006	21,648,236	525,000	1,660,771	23,834,007	1.67%	1,047	21,648,236	0.62%	938		
2007	20,523,352	525,000	3,414,710	24,463,062	1.66%	1,054	20,523,352	0.47%	884		
2008	18,754,365	360,000	3,269,337	22,383,702	1.42%	958	18,754,365	0.39%	803		
2009	17,207,449	195,000	3,121,892	20,524,341	1.23%	874	17,207,449	0.36%	733		
2010	18,046,007	865,000	3,478,783	22,389,790	1.32%	953	18,046,007	0.45%	768		
2011	16,382,491	1,767,500	3,364,163	21,514,154	1.36%	911	16,382,491	0.48%	694		
2012	15,388,576	1,730,000	3,166,900	20,285,476	1.33%	861	15,388,576	0.43%	653		
2013	14,009,445	1,590,513	2,961,603	18,561,561	1.14%	787	14,009,445	0.36%	594		

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  
YEAR ENDED JUNE 30, 2013  
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Fairfax County, Virginia	\$ 2,226,884,986	1.8533%	\$ 41,271,118
Town Direct Debt			<u>15,599,958</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 56,871,076</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.

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

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 237,539,129	\$262,588,503	\$334,200,016	\$ 421,921,645	\$ 459,732,936	\$ 458,379,960	\$ 385,386,083	\$ 328,121,001	\$ 345,568,950	\$ 372,773,329
Total net debt applicable to limit	19,838,041	18,360,268	22,173,236	21,048,352	19,114,365	17,402,449	18,911,007	18,149,991	17,118,576	15,599,958
Available legal debt margin	\$ 217,701,088	\$244,228,235	\$312,026,780	\$ 400,873,293	\$ 440,618,571	\$ 440,977,511	\$ 366,475,076	\$ 309,971,010	\$ 328,450,374	\$ 357,173,371

**Total net debt applicable to the limit as a percentage of debt limit**

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value of real estate	\$ 3,727,733,294
Debt limit (10% of assessed value)	\$ 372,773,329
Debt applicable to limit:	
Net direct debt outstanding	15,599,958
Available legal debt margin	\$ 357,173,371

2002 refunding bonds	\$ 515,000
2003 taxable general obligation bonds	820,000
2005 general obligation bonds	3,580,000
2006 general obligation bonds	391,593
2010 general obligation bonds	2,113,550
2010 refunding bonds	1,450,002
2012 refunding bonds	4,999,000
2009 fifteen-year note	1,495,000
2010 twenty-year note	95,513
Deferred bond premiums	157,091
Deferred bond discounts	(16,791)

\$ 15,599,958

(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		
2004	\$ 1,471,822	\$ 1,136,972	\$ 334,850	\$ 45,959	\$ 52,632	\$ 98,591	3.40	
2005	1,357,237	1,074,976	282,261	49,900	51,069	100,969	2.80	
2006	1,293,184	1,181,895	111,289	49,899	49,323	99,222	1.12	
2007	1,464,100	1,134,362	329,738	51,212	47,527	98,739	3.34	
2008	1,576,985	1,303,023	273,962	53,838	45,632	99,470	2.75	
2009	1,518,889	1,270,943	247,946	55,152	43,559	98,711	2.51	
2010	1,512,540	1,306,977	205,563	59,091	41,353	100,444	2.05	
2011	1,369,871	1,188,595	181,276	87,059	59,284	146,343	1.24	
2012	1,496,295	1,252,292	244,003	83,044	46,623	129,667	1.88	
2013	1,467,555	1,331,920	135,635	85,670	44,298	129,968	1.04	

Chestnut Grove Cemetery Fund								
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
2004	\$ 310,216	\$ 264,399	\$ 45,817	\$ 26,515	\$ 30,364	\$ 56,879	0.81	
2005	474,525	300,663	173,862	28,788	29,463	58,251	2.98	
2006	469,000	369,329	99,671	28,788	28,455	57,243	1.74	
2007	606,799	353,710	253,089	29,546	27,419	56,965	4.44	
2008	472,053	415,793	56,260	89,468	106,669	196,137	0.29	
2009	573,029	447,881	125,148	90,225	104,730	194,955	0.64	
2010	616,522	466,123	150,399	96,392	101,412	197,804	0.76	
2011	635,207	459,127	176,080	107,104	99,529	206,633	0.85	
2012	686,149	475,324	210,825	103,316	89,108	192,424	1.10	
2013	744,741	524,940	219,801	108,724	85,348	194,072	1.13	

## 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)
2004	22,564	\$ 1,222,224	\$ 54,167	163,286	3.1
2005	22,765	1,326,425	58,266	164,195	2.7
2006	23,087	1,428,139	61,859	164,408	2.5
2007	23,217	1,476,114	63,579	164,284	2.2
2008	23,367	1,581,736	67,691	166,307	3.2
2009	23,476	1,662,617	70,822	169,538	4.8
2010	23,496	1,691,289	71,982	169,538	5.1
2011	23,620	1,584,760	67,094	172,391	4.9
2012	23,556	1,522,589	64,637	177,918	4.2
2013	23,572	1,622,861	68,847	181,259	4.3

**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	2013	2004
	Employment Range	Employment Range
Booz Allen Hamilton, Inc.	Over 500	-
Exelis Inc.	249-499	-
Worldgate Sport & Health Club	249-499	-
Medical Transportation Services	249-499	-
The Boeing Company	249-499	-
Airline Pilots Association	249-499	-
Segovia, Inc.	249-499	-
DRS Technical Service Inc	100-250	-
Raytheon Trusted Computer Solutions	100-250	-
Micropact, Inc	100-250	-
Airbus Industries of N. America	-	Over 200
Computer Associates	-	Over 200
Global One	-	Over 200
Logicon	-	Over 200
Northwest Federal Credit Union	-	Over 200
Oracle Corporation	-	Over 200
PSINet	-	Over 200
Sallie Mae	-	Over 200
Science Applications Int. Corporation	-	Over 200
Town of Herndon	-	Over 200

**Sources:**

Fairfax County Economic Development Authority.

Virginia Employment Commission.

Town of Herndon, Community 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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Legislative	3.4	3.6	3.6	3.8	4.1	4.0	4.0	4.0	4.0	4.0
Administration:										
Public information	0.9	1.0	0.8	1.7	1.5	1.5	1.5	1.5	1.5	1.6
Town manager	2.0	2.0	2.0	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Human resources	3.4	3.3	4.3	3.5	3.4	3.3	3.5	3.5	3.4	3.4
Information services	6.0	5.9	6.2	5.9	6.1	6.0	5.7	5.3	6.0	6.0
Neighborhood resources (1)	4.2	4.9	5.3	3.9	4.7	3.5	-	-	-	-
Town attorney	2.7	2.8	2.8	2.9	2.8	3.0	2.6	2.6	2.8	2.8
Parks and recreation:										
Administration	4.6	5.5	5.5	4.7	5.5	4.6	3.9	4.2	4.6	4.9
Recreation programs (2)	16.2	15.8	15.9	19.5	20.1	19.3	17.7	16.9	15.3	15.1
Community center operations	13.7	12.9	11.9	12.3	15.9	17.0	15.4	16.2	16.6	16.9
Aquatics programs and operations	13.5	13.1	13.5	11.6	12.9	13.6	13.4	13.3	13.7	13.3
Park operation and development	1.9	2.0	2.3	1.6	1.9	1.1	1.2	1.4	1.3	1.6
Finance:										
Administration	2.0	2.0	2.0	1.4	1.8	2.0	2.0	2.0	2.0	2.0
Billing and accounting	4.6	4.6	4.8	4.6	5.0	5.0	5.0	5.0	5.0	4.9
Revenue (2)	3.0	2.6	3.0	3.4	4.6	3.8	3.2	2.8	2.8	2.8
Procurement	1.0	1.0	0.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community development (1), (2)	16.9	17.2	19.9	21.0	20.3	21.5	22.0	22.3	21.5	19.2
Police:										
Field operations	50.8	48.5	50.5	51.3	46.1	45.6	45.4	44.1	49.9	48.9
Support services	24.4	24.0	23.5	25.1	32.0	33.7	35.0	33.9	29.8	31.9
Public works:										
Administration	6.1	6.9	7.1	6.2	8.2	8.2	8.1	6.1	6.9	7.0
Engineering	4.8	3.9	3.8	4.2	4.6	5.0	5.0	5.0	5.0	4.9
Program management	2.3	3.2	3.1	3.0	2.0	2.8	3.0	3.0	3.0	2.9
Building inspections	4.5	5.0	4.4	4.5	5.2	5.2	4.8	4.0	4.9	4.8
Building maintenance	6.4	6.7	7.0	8.2	8.0	8.3	8.4	8.3	8.4	8.5
Grounds maintenance	11.5	10.5	10.4	10.1	10.1	10.4	10.5	7.8	9.0	11.0
Street maintenance	8.8	8.6	8.2	7.0	7.3	10.3	8.8	10.3	8.7	9.8
Refuse/recycling	15.9	16.3	17.1	17.9	18.1	17.4	16.9	17.0	16.6	17.0
Vehicle and equipment replacement	10.2	10.4	10.2	10.5	9.9	10.1	10.5	10.3	9.2	9.4
Traffic engineering (2)	3.3	4.8	4.0	3.8	3.8	3.8	3.5	3.1	3.0	3.1
Right-of-way inspections	3.0	3.2	3.1	3.1	3.0	3.1	3.2	3.1	3.1	3.0

Water and Sewer:												
Customer service	3.8	3.1	2.9	3.3	2.0	3.7	3.8	3.8	3.9	4.1		
Sewer service and maintenance (2)	5.0	5.1	6.8	6.3	6.2	5.6	6.4	5.7	3.3	4.4		
Water supply and maintenance	5.4	5.3	5.3	5.7	7.1	6.4	6.7	5.6	8.1	7.7		
Golf Course:												
Maintenance (2)	10.2	9.2	8.3	8.6	8.4	8.1	7.6	7.2	7.2	7.2		
Clubhouse	5.7	5.8	6.0	5.9	6.2	6.3	6.0	5.7	5.8	5.7		
Chestnut Grove Cemetery:												
Administration	4.3	4.2	4.5	4.4	5.1	4.9	5.0	4.9	5.0	4.8		
<b>Total</b>	286.4	284.9	290.4	293.6	306.9	311.1	302.7	292.9	294.3	297.6		

**TOWN OF HERNDON, VIRGINIA**

**Table 18**

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

Function/Program	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Police:</b>										
Calls for service	34,100	33,800	33,100	35,000	35,600	33,800	27,700	28,100	27,700	30,900
<b>Administration:</b>										
Number of recruitments	69	95	78	86	158	93	78	105	89	60
<b>Building safety:</b>										
Total building permits	546	661	685	361	310	168	342	308	247	226
Total inspections performed	3,200	5,352	3,628	3,864	3,628	3,766	3,446	3,421	2,928	2,628
<b>Public service:</b>										
Refuse collected (tons)	6,368	6,380	6,704	6,362	5,817	5,655	5,868	5,948	5,860	5,248
Recycle collected (residential - tons)	1,407	1,345	1,340	1,879	1,737	1,427	1,473	1,501	1,518	1,517
<b>Parks and Recreation:</b>										
Recreation program attendance	15,555	18,909	15,841	14,900	15,875	16,703	17,842	17,368	16,954	12,000
Herndon Festival attendance	48,000	83,000	82,000	79,000	85,000	83,000	79,000	82,000	69,000	82,000
<b>Water and sewer:</b>										
New utility accounts	130	246	72	26	30	24	10	50	78	15
Average daily water consumption (mgd)	2.34	2.42	2.44	2.52	2.42	2.28	2.09	2.15	2.17	2.02
Average daily sewage treatment (mgd)	2.78	2.78	2.58	2.48	2.39	2.40	2.57	2.50	2.47	2.24
<b>Golf Course:</b>										
Rounds played (18 and 9 hole)	38,303	34,718	31,017	33,705	34,940	32,781	32,110	30,098	33,435	31,766
<b>Cemetery:</b>										
Sites sold	150	216	164	164	139	147	184	163	204	180
Interments performed	122	139	140	144	102	133	174	117	138	124

**Sources:**

Town of Herndon Town Manager's Annual Reports for fiscal years 2004 through 2013.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2004 through 2013.  
 Town of Herndon Department of Public Works.  
 Town of Herndon Police Department.

**TOWN OF HERNDON, VIRGINIA**

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

**Table 19**

Function/Program	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	27	28	31	33	35	38	39	39	42	42
Refuse Collection:										
Collection trucks	7	8	8	8	8	8	9	9	9	9
Other public works:										
Vehicles/equipment maintained	367	369	370	372	374	374	375	374	375	376
Streets:										
Primary (miles)	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	31.3	31.3
Secondary (miles)	96.9	98.1	98.1	98.1	98.1	98.1	98.1	98.1	98.4	98.4
Parks & Recreation:										
Parks - number of acres	96.0	96.0	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	6	6	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles)	83.0	85.0	87.0	88.0	88.7	88.7	89.3	89.3	89.3	89.3
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)	77.0	78.0	80.0	80.8	81.3	81.3	81.8	81.8	81.8	81.8

**Sources:**

Town of Herndon Town Manager's Annual Reports for fiscal years 2004 through 2013.  
Town of Herndon Adopted Annual Budgets for fiscal years 2004 through 2013.  
Town of Herndon Department of Public Works.



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

**COMPLIANCE SECTION**





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Herndon, Virginia (town) as of and for the year ended June 30, 2013, 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 14, 2013.

**Internal Control over Financial Reporting**

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

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

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