TOWN *of*
HERNDON

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

TOWN OF HERNDON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2010

Prepared by the
Department of Finance

TOWN OF HERNDON, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

COMPLIANCE SECTION

TOWN OF HERNDON, VIRGINIA

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TOWN OF HERNDON

Steve J. DeBenedittis, Mayor
Lisa C. Merkel, Vice Mayor
Connie Haines Hutchinson
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Mary K. Tuohy, CPA
Director of Finance

November 23, 2010

The Honorable Mayor Stephen DeBenedittis, 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, for the fiscal year ended June 30, 2010. 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 PBGH, 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, 2010 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 fifty 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 quite dramatically. The estimated 2010 population is now 23,496 persons, housed in 7,805 dwelling units. If the town is developed according to the adopted Comprehensive Plan (master plan), it is anticipated that the 2030 population will increase to approximately 26,270 and 8,726 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; a neighborhood resources center 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, health and social services, mental health assistance, fire and ambulance service, 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. These include 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. The amount for calendar year 2008 was $107,448, the second highest in the nation for counties with populations of 250,000 or more. In fall 2006, the town was named one of the "best affordable suburbs" in the nation by *Business Week* magazine. And in summer 2009 the editors at *Money* Magazine ranked Herndon, Virginia as the eighth "best place in the nation for the rich and single."

Many economists believe that the national economy, which slid into recession in December 2007, is now recovering, but the strength and durability of the recovery is not certain at this time. Once the impact of government stimulus programs are known (like the first time homeowner tax credit which expired in early 2010) continued economic recovery and job growth will depend on the strength of consumer and business expenditures. And consumer spending will continue to be constrained as long as unemployment remains high. Even though the US unemployment rate dropped from 9.8 percent in September 2009 to 9.6 percent in September 2010, employers continue to cut jobs as insecurities about the economy remain. Closer to home, Fairfax County's unemployment rate, which peaked at 5.2 percent in June 2009, fell to 4.6 percent by September 2010.

However, in spite of these challenges, the economic outlook for Herndon remains comparatively sound and the town's business climate is strong. The economic outlook for 2012 through 2014 predicts a return to more modest growth rates of one to three percent, mainly due to anticipated increases in federal spending and modest rebounds in property values. With the planned extension of Metrorail to Dulles Airport, the development of the Darlington Oaks residential project and the strength of our business community in general, positive signs of economic vitality are evident.

Long-term Financial Planning and Outlook

The long-term economic goal of the town is to continually attract new enterprises and encourage expansion of existing business already located in the town. Beginning in 1991, development and utilization of the Worldgate complex has provided a significant economic stimulus to the town. More recently, growth in federal spending and information technology and subsequent economic influence has bolstered real estate, general sales, consumer utility, and business, professional and occupational licenses tax revenues. Today, approximately 9.3 million square feet of commercial and office floor space exists in the town which supports an estimated 25,300 jobs. In 2010, the Herndon business community encompasses a wide spectrum, from home-based occupations to Fortune 500 headquarters; from small ethnic, family-owned grocery stores to firms specializing in computer software development and systems integration; telecommunications; Internet and Internet-related services; financial services and defense and homeland security.

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 2016. 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. Based on the town's current zoning, the projected non-residential floor area will be almost ten million square feet, supporting an estimated 27,000 jobs by 2020. Over the next several years, it is anticipated the redevelopment of the Metrorail area and other locations along the Dulles Toll Road will significantly increase the town's available commercial space and employment beyond its current projections.

The town's location close to Washington Dulles International Airport provides a major stimulus for commercial development. The airport itself is in the final phases of a multi-billion dollar capital construction project that, when completed, will result in a redesigned facility that can accommodate significant increases in air traffic. In fact, the entire Dulles Corridor, in which the town is centrally located, is on the cusp of a new era of growth. It is anticipated within the next 25 years the population will increase by 45 percent and job growth will increase by 63 percent, all of which bodes well for the town's future economic vitality.

FINANCIAL INFORMATION

Budgetary and Accounting Controls

The annual budget serves as the foundation of the town's financial planning and control. Annual budgets are guided by the town's financial policies which are annually reaffirmed by the Town Council. These policies include: annual adoption of a balanced budget; recurring costs should be supported by recurring revenues; required minimum undesignated fund balance; computation of maximum debt capacities and retaining the town's coveted AAA bond credit rating.

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.

Pension and Other Postemployment Benefits

The town participates in the Virginia Retirement System (VRS), an agent and cost sharing multi-employer defined benefit pension plan. The town's contribution rate for fiscal year 2010 was 11.92 percent of annual covered payroll and includes the employees' share of five percent paid by the town. The town also offers a defined contribution plan, which supplements VRS, for the town's sworn police officers. The Town of Herndon Police Supplemental Retirement Plan is accounted for as a fiduciary fund of the town and is administered by the town. The Plan offers a variety of pay out options and is based upon the vested amount credited to the officer as of the date of retirement, resignation or death. The town's contribution rate is three percent of each covered police officers' annual salary. For fiscal year 2010, town contributions totaled $133,510 and the fund's net asset value at June 30, 2010 was $1,859,636.

The town provides postretirement healthcare benefits to all employees who retire from the town under VRS with a minimum of ten years of service (or seven if a police officer) or an allowable disability. The town's contribution rate is established by the Town Council as part of the town's annual budget deliberations. The healthcare benefits are funded on a pay-as-you-go basis. At June 30, 2010, the town recorded a liability of $826,000 on the Statement of Net Assets. Additional information regarding the town's retirement and pension plans appear in the Notes to the Financial Statements (Note 8), contained in the financial section of the report.

Cash Management and Investments

The town administers a comprehensive cash management and investment program. The primary goal of the program is to meet the town's daily cash needs with a minimum cash investment while increasing the amount of cash available for investment purposes. The program seeks to minimize credit and market risks while maintaining a competitive yield for the town's portfolio. Cash temporarily idle during the fiscal year was invested in money market accounts, certificates of deposit, U.S. government and agency securities, repurchase agreements, commercial paper, the State Treasurer's Local Government Investment Pool (LGIP) and other approved investment instruments. During fiscal year 2010, the town's total interest income for all funds, with the exception of the Police Supplemental Retirement Fund, was $1,605,217.

Risk Management

The Town of Herndon's risk management program uses a variety of techniques to identify, mitigate (or control) and monitor the risks and exposures endemic to many of the town's activities and services. These techniques include employee-training programs centered on accident prevention, improving accident reporting procedures, and safety in the work place. The Department of Public Works includes regular weekly training sessions for all Public Works Complex staff which cover topics required by OSHA regulations, defensive driving reminders as well as other special safety concerns. In addition, both Parks and Recreation and Herndon Police departments have detailed risk management programs addressing their respective activities. These programs constitute key components of each department's agency accreditation.

The town is insured for exposures related to property, boiler and machinery, flood, accident, automobile, general liability and public officials' liability. In addition, the town provides workers compensation coverage to its employees through the VML Insurance Programs.

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, 2010, the firm of PBGH, LLP was retained to perform this service. PBGH's reports on the financial statements and compliance matters are located in sections two and four of this report.

Awards

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-first consecutive year that the town has achieved this award, thus reaffirming the town's commitment to its tree canopy and environmental stewardship.

Parks and Recreation

The Department of Parks and Recreation received two Silver Awards from the International Festival & Events Association for the best overall sponsorship program and best t-shirt design. The department's design for its Commanders' Harvest Moon swim meet t-shirt also received an award from the Virginia Recreation and Park Society for best promotional award apparel.

Public Safety

The Herndon Police Department was a winner of the 2009 International Association of Chiefs of Police Community Policing Award for its comprehensive program to monitor and reduce crimes associated with neglected and foreclosed homes. In addition, the town was recertified as a Certified Crime Prevention Community by the Virginia Department of Criminal Justice Services. Herndon is one of only 15 localities in Virginia that maintains this certification.

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, 2009. This was the thirty-fifth 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, 2009. This is the nineteenth 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 August 2010, the town's budget documents for the fiscal year beginning July 2010 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.

Finally, this report could not have been prepared without the dedication of the entire staff of the Department of Finance and support from staff in the town's other operating departments. We wish to express our appreciation to all who assisted in its preparation and to commend them for the professionalism they displayed throughout the year. We would also like to express our appreciation to the town's independent auditing firm, PBGH, LLP, for their cooperation and assistance in these efforts.

Respectfully submitted,

ARTHUR A. ANSELENE
Town Manager

Mary K. Tuohy

MARY K. TUOHY, CPA
Director of Finance

Stephan A. Greennagel

STEPHAN A. GREENNAGEL, CPA
Deputy Director of Finance

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, 2009

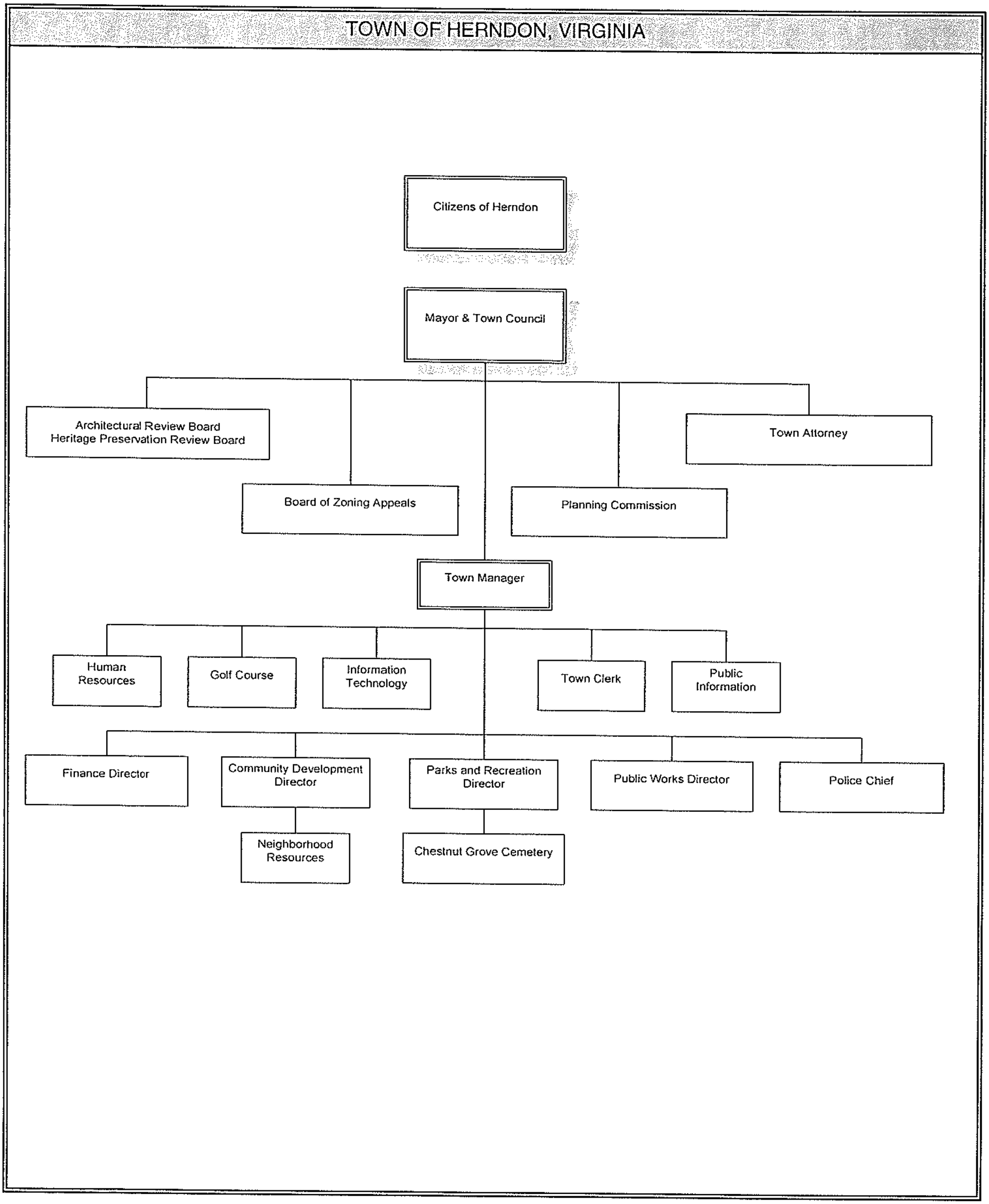
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

TOWN OF HERNDON, VIRGINIA
TOWN ORGANIZATION
FISCAL YEAR 2009-2010



TOWN OF HERNDON, VIRGINIA

Enriching the Quality of Life and Promoting a Sense of Community

Comprehensive Annual Financial Report
Year Ended June 30, 2010

Directory of Officials

TOWN COUNCIL

Mayor
Stephen J. DeBenedittis

Vice Mayor
Connie Haines Hutchinson, Vice Mayor

Richard F. Downer
Dennis D. Husch, Vice Mayor
David A. Kirby
William B. Tirrell
Charlie D. Waddell

MANAGEMENT TEAM

Town Manager
Arthur A. Anselene

Town Attorney
Richard B. Kaufman

William H. Ashton, II
Robert B. Boxer
Anne P. Curtis
Gene A. Fleming
Elizabeth M. Gilleran
Cynthia S. Roeder
Linda A. Simmons
Toussaint E. Summers, Jr.
Mary K. Tuohy

Town Clerk
Viki L. Wellershaus

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

Independent Auditor
PBGH, LLP

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

TOWN OF HERNDON, VIRGINIA

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FINANCIAL SECTION

TOWN OF HERNDON, VIRGINIA

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CERTIFIED PUBLIC ACCOUNTANTS
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RSM McGladrey Network
An Independently Owned Member

INDEPENDENT AUDITORS' REPORT

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

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, 2010, which collectively comprise the town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the town's management. 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 *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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the town as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010 on our consideration of the town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 5 to 20) and the required supplementary information (page 71) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements. The combining and individual fund financial schedules, listed in the Table of Contents as supplementary information and supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2010

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, 2010. 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 $115.3 million (*net assets*). Of this amount, $26.3 million (*unrestricted net assets*) may be used to meet the town's ongoing obligations to citizens and creditors.

- The town's total net assets increased during the fiscal year by approximately $395,000. This is related primarily to an increase in cash and temporary investments due to unexpended 2010 bond proceeds held by the fiscal agent as well as the addition of a net $2.9 million in new capital (including construction in progress). The increase, however, was more than offset by increases in accumulated depreciation and amortization charges. Also affecting the total net assets year-end balance was a decrease in such current assets as property taxes and notes receivables and inventories.

- Total capital assets (exclusive of depreciation and amortization) increased by $2.9 million with the continuation or completion of several major capital projects, such as:

  - construction of a 5,000 square foot addition to the town shop maintenance facility;
  - installation of crosswalks along South Elden Street;
  - design and engineering plans for installing duct banks and manhole structures in the downtown portion of Elden Street;
  - widening the southbound lanes of Van Buren Street within the Northern Virginia Park Authority right-of-way for the W&OD Trail; and
  - replacing the Grace Street water main during the 2009 summer and undertaking the final design plans and engineering specifications for replacing the Spring and Oak streets water line in fiscal year 2011.

  These projects as well as equipment purchases and additional infrastructure (such as streets, curbs, gutters, sidewalks, storm drainage facilities, and water and sewer mains) either constructed by the town or donated by developers were added to the town's capital assets inventory.

- As of the close of the current fiscal year, the town's governmental funds reported combined ending fund balances of $17.7 million, an increase of $2.3 million from the previous fiscal year. Most of the increase is related to unexpended 2010 bond proceeds in the Capital Projects Fund. Approximately 54 percent of the fund balance, which is $9.6 million, is *available for spending* at the town's discretion (*unreserved, undesignated fund balance).*

- At the end of the current fiscal year, the unreserved fund balance for the General Fund was $7.2 million, or almost 24 percent of total General Fund expenditures, excluding transfers out of the fund.

- During the year, the town issued general obligation bonds under the VML/VACo Finance Program in the amount of $2.875 million. The bonds were a combination of taxable Recovery Zone Economic Development bonds, taxable Build America Bonds and tax-exempt bonds. With this issue, the town's outstanding principal balance for total bonded debt was $22.4 million at June 30, 2010.

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 Assets - presents information on all of the town's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the town is improving or declining. In addition, nonfinancial factors, such as a change in the town's real estate assessment values or the condition of the town's facilities and infrastructure, should be considered in assessing the overall financial health of the town.

The second statement - the Statement of Activities - presents information showing how the town's net assets changed during the most recently concluded fiscal year. Changes in net assets 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 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 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.

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 the Financial Statements".

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide information is as follows:

Statement of Net Assets:

As previously described, net assets may serve over time as a useful indicator of the town's financial position. For the most recently concluded fiscal year, the town's assets exceeded its liabilities by $115.3 million. About 23 percent of the town's net assets are unrestricted and available to meet the town's ongoing obligations to citizens and creditors. The larger net asset subcomponent, labeled "Invested in capital assets, net of related debt", 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), less any related debt used to acquire those assets that is still outstanding.

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 assets increased by $266,000 when compared to the prior fiscal year. This increase is related primarily to an increase in cash and temporary investments due to unexpended 2010 bond proceeds held by the fiscal agent as well as the addition of $2.7 million in new capital assets (including construction in progress). The increase, however, was more than offset by increases in accumulated depreciation and amortization charges. Also affecting the total net assets year-end balance was a decrease in such current assets as property taxes and notes receivables and inventories.

Total net assets reported in connection with the town's business-type activities also increased slightly at $130,000. The increase is due to net operating gains for two of the town's four enterprise funds (i.e., Water and Sewer Fund with a gain in net assets of $236,000 and Downtown Parking Enterprise Fund with a gain in net assets of $12,000). However, the Golf Course Fund and Chestnut Grove Cemetery Fund both suffered net losses of $49,000 and $70,000, respectively. Further analysis concerning the nature of these gains and losses is discussed on the next page under "Business-type Activities".

Table 1 below presents a Summary Statement of Net Assets for fiscal year 2010 in comparison to the previous fiscal year:

TABLE 1
Summary Statement of Net Assets
June 30, 2010 and 2009
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 27,495	$ 25,572	$ 17,154	$ 16,229	$ 44,649	$ 41,801
Capital assets, net	88,979	89,553	18,203	19,033	107,182	108,586
Total assets	116,474	115,125	35,357	35,262	151,831	150,387
Current and other liabilities	9,395	10,454	1,642	2,135	11,037	12,589
Non-current liabilities	21,723	19,581	3,800	3,342	25,523	22,923
Total liabilities	31,118	30,035	5,442	5,477	36,560	35,512
Net Assets:						
Invested in capital assets, net of related debt	72,889	72,604	14,724	15,948	87,613	88,552
Restricted	1,331	1, 298	-	-	1,331	1,298
Unrestricted	11,136	11,188	15,191	13,837	26,327	25,025
Total net assets	$ 85,356	$ 85,090	$ 29,915	$ 29,785	$ 115,271	$ 114,875

Statement of Activities:

Governmental Activities

Revenues: For the fiscal year ended June 30, 2010, revenue from governmental activities totaled $32.2 million. Sources of revenue for fiscal year 2010 are comprised of many different types with taxes constituting the largest source of town revenues. A large increase in operating grants and contributions is related to a combined $214,000 in FEMA disaster funds awarded to the town for costs incurred in battling two major snow events during the winter months.

In addition, the town received capital grants and contributions totaling $1.6 million. Major grant-related capital projects completed this year were the installation of crosswalks along South Elden Street and final reimbursement for a traffic light optimization study. Also included in capital grants and contributions are the town's annual state allocation for highway maintenance and the value of developer-donated street and storm drainage infrastructure.

With a 15 percent overall decline in real property assessments, the decline in general property taxes was anticipated when formulating the town's fiscal year 2010 budget. Though general property taxes constitute the 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. Collections from the state's 5% communications tax are counted among the town's local revenue sources. Remittances from the town's five major local taxes, with the exception of business license tax, remained essentially flat or declined in comparison to the previous fiscal year. The current situation reflects the continued downturn in the regional economy which became quite evident by fall 2008.

Expenses: Expenses for governmental activities, including interest on debt service, totaled $31.9 million which is a decrease of 5 percent under the total reported for the previous fiscal year. The decrease in expenses was a deliberate decision on the part of the town in formulating its fiscal year budget in the face of a recessionary economy. 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 increased the town's net assets by $130,000. The following highlights center on the financial activities of these enterprise funds:

Water and Sewer Fund: Total operating and nonoperating revenues amounted to $6,774,000, with water and sewer availability fees and interest earnings (a combined $1,380,000) accounting for approximately 20 percent of total revenues. Based on the recommendations contained in a recent utility rate study, town council adjusted both the water and sewer commodity rates as of July 1, 2009. As a result, total user charges assessed for water sales and sewer services during the fiscal year were $642,000 more than the previous fiscal year.

Operating expenses of the fund, which totaled $6,616,000, included wholesale sewer conveyance charges ($2.51 million), wholesale water purchases ($1.44 million) as well as $276,000 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 assets increased during the fiscal year by $236,000. This is the fund's first increase in net assets since fiscal year 2004.

Golf Course Fund: Total operating revenues amounted to $1,457,000. Due to the unseasonably harsh and snowy winter, the fund's operating revenues during the current fiscal year decreased about four percent when compared to the previous fiscal year. This decrease is reflected in the total number of golf rounds played (at 32,100) which decreased two percent from 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 successful in maximizing the use of the golf course by attracting new customers while retaining existing customers.

Operating expenses of the fund, which totaled $1,515,000, included personal costs, turf maintenance and other operating supplies, depreciation and amortization costs and other miscellaneous expenses. An unexpected expense of the fund this fiscal year was necessary repairs to the course's irrigation pond dam, located just below the outlet structure. Total repairs amounted to $44,000 and included the cost of a geotechnical study. Given the decline in total revenues and the unexpected structural repairs, the fund's net assets decreased $49,000 by fiscal year end.

Chestnut Grove Cemetery Fund: Total operating revenues amounted to $589,000 and represent an increase of five percent over the previous fiscal year. Most of the increase is attributed to increased sales of cemetery sites and, to a lesser extent, interment services. During the fiscal year, the cemetery sold 184 interment lots, and performed 174 burials. Sales of monuments and other memorializing products did not fare as well with total receipts about six percent under the previous fiscal year's total.

Operating expenses of the fund amounted to $606,000 and included depreciation and amortization expenses attributed to the administration and maintenance buildings. At the conclusion of the fiscal year, the fund's net assets decreased by $70,000.

Downtown Parking Enterprise Fund: Total operating and nonoperating revenues amounted to $57,000 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 $45,000 and included depreciation and amortization expenses of $31,000. At the conclusion of the fiscal year, the fund's net assets increased by $12,000.

The following table summarizes the changes in net assets for the town for the fiscal years ended June 30, 2010 and 2009:

TABLE 2
Summary of Changes in Net Assets
Years Ended June 30, 2010 and 2009
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 4,216	$ 4,040	$ 6,989	$ 6,384	$ 11,205	$ 10,424
Operating grants and contributions	2,296	1,981	645	520	2,941	2,501
Capital grants and contributions	1,645	1,165	78	75	1,723	1,240
Total program revenues	8,157	7,186	7,712	6,979	15,869	14,165
General revenues:						
General property taxes	10,418	11,305	-	-	10,418	11,305
Other local taxes	12,111	12,353	-	-	12,111	12,353
Use of money and property	1,217	1,406	835	1,015	2,052	2,421
Intergovernmental non-categorical aid	29	43	-	-	29	43
Miscellaneous	238	529	492	368	730	897
Total general revenues	24,013	25,636	1,327	1,383	25,340	27,019
Total revenues	32,170	32,822	9,039	8,362	41,209	41,184
Expenses:						
General government administration	4,619	5,749	-	-	4,619	5,749
Parks and recreation	4,311	4,659	-	-	4,311	4,659
Community development	2,353	1,950	-	-	2,353	1,950
Police	9,009	9,257	-	-	9,009	9,257
Public works	10,817	11,230	-	-	10,817	11,230
Interest	766	814	-	-	766	814
Water and sewer	-	-	6,616	6,836	6,616	6,836
Golf course	-	-	1,562	1,530	1,562	1,530
Chestnut Grove cemetery	-	-	715	705	715	705
Downtown parking	-	-	45	66	45	66
Total expenses	31,875	33,659	8,938	9,137	40,813	42,796
Changes in net assets before transfers	295	(837)	101	(775)	396	(1,612)
Transfers	(29)	(46)	29	46	-	-
Changes in net assets	266	(883)	130	(729)	396	(1,612)
Net assets, July 1	85,090	85,973	29,785	30,514	114,875	116,487
Net assets, June 30	$ 85,356	$ 85,090	$ 29,915	$ 29,785	$ 115,271	$ 114,875

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).

At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund was $5.8 million and represents 19 percent of the General Fund's total expenditures for fiscal year 2010. The Capital Projects Fund had an unreserved, undesignated fund balance of $3.7 million at fiscal year end, most of which represents unexpended 2010 bond proceeds. Remaining fund balances are reserved to indicate that they are not available for new spending because they have already been committed to liquidate contracts and purchase orders of the prior fiscal year, are reserved for future fiscal year expenditures or are restricted for other purposes.

The fund balance of the town's General Fund decreased by $135,000 during the fiscal year, which is significant since the budgeted decline was projected at $2,073,000. Key factors for this difference between budgeted and actual results are as follows:

Revenues:

- Various short-term and medium-term investment instruments assigned to the governmental funds earned approximately $771,000 in interest earnings during the fiscal year. As with the previous fiscal year, the accounting and reporting requirements under GASB Statement Number 31 had a substantial effect, since the adjusted value of many of the town's investments were significantly above the corresponding market value at fiscal year end.

- Some of the town's local tax sources enjoyed moderate to significant increases over the previous fiscal year. These were the town's right-of-way use fees, bank stock tax, cable TV franchise fees, and utility consumption tax.

- For the town's other local tax sources, the more common theme throughout the fiscal year were either stagnant or moderate declines in comparison to the previous fiscal year. Tax sources which fell into this category included cigarette tax (with a decline of four percent); transient lodging tax (with a decrease of 12 percent); and local sales tax (with a decrease of six percent).

- Court fees remitted from Fairfax County declined about 7 percent from amounts collected during the previous fiscal year. As noted over the past several years, court fines are difficult to predict since the imposition of these fines is up to the discretion of the presiding judge. Some judges favor community service sentencing in lieu of monetary fines while others adhere to increased financial sanctions.

- Intergovernmental revenues, which totaled $3,036,000, included grant reimbursements from Fairfax County for its agreed share of operating costs associated with the Neighborhood Resource Center. Under state aid, the town received payments for police reimbursement and street and highway maintenance; the town's share of fire fund monies and vehicle rental tax. Federal grant reimbursements received were for the installation of crosswalks along South Elden Street and a final reimbursement for a traffic light optimization study. In addition, the town was awarded a combined $214,000 in FEMA disaster funds for town costs incurred in battling two major snow events during the winter months.

Expenditures:

- At the beginning of the fiscal year, the overall management of the town's Neighborhood Resource Center, including its operating budget, was transferred to community development. This transfer, along with other cost saving measures, explains the substantial decline in general government administration costs. Likewise, the transfer also explains the substantial increase in community development expenses when compared to the previous fiscal year.

- The fiscal year included expenditures related to outside legal counsel engaged to assist staff and Town Council in inter-jurisdictional issues. Also incurred during the fiscal year were costs for the town's contracted police prosecutions attorney.

- Parks and recreation costs for the current fiscal year included staffing and operating costs associated with the Community Center operations, including the additional areas constructed under the Phase IV expansion. Also incurred were costs to replace aging recreation equipment.

- Current fiscal year costs include zoning enforcement staff in the Department of Community Development. The team of inspectors is charged with enforcing the town's zoning ordinances which deal with residential over-occupancy in neighborhoods. Also incurred during the fiscal year were costs associated with the Downtown Area Master Plan study.

- Even with the added cost of performing extensive snow removal during the winter, the combined expenditures during the fiscal year for police and public works were $660,000 less than the previous fiscal year. These savings were achieved by "freezing" vacant positions and shifting critical job responsibilities among current staff. In addition, the town's annual street repaving program was deferred until the next fiscal year (August 2010) and combined with the street repaving program slated for fiscal year 2011.

- 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. Also included were costs for repair, maintenance and fuel for the town's fleet of vehicles and equipment.

- Debt service costs for the current fiscal year were almost $98,000 more than the previous fiscal year primarily due to the debt amortization schedules for the various outstanding issues and bond issuance costs associated with the town's public improvement note and March 2010 general obligation bond issue.

- 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 beginning on page 16.

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, 2010 the unrestricted net assets for each of the four enterprise funds were as follows:

- Water and Sewer Fund with an amount of $13,044,000
- Golf Course Fund with an amount of $1,220,000
- Chestnut Grove Cemetery Fund with an amount of $324,000
- Downtown Parking Enterprise Fund with an amount of $603,000

Other factors concerning the finances of these four funds have already been addressed in the discussion of the town's business-type activities which appeared on pages 10 and 11.

GENERAL FUND BUDGETARY HIGHLIGHTS

In developing the town's fiscal year 2010 budget and CIP program, the 2027 Vision Plan adopted by the town council in 2007 (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 2010 budget were:

- Maintain initiatives to reduce excessive occupancy in residential neighborhoods.
- Maintain efforts to promote preservation and enhancement of neighborhoods through the Neighborhood Inspection Program and the Rental Inspection Program.
- Implement the master planning for the Downtown Area Master Plan and the Herndon Metrorail Area Study Plan.
- Continue advancement of neighborhood improvements.
- Obtain grants and seek alternative funding options for transportation enhancements, park facilities and police equipment and operations.

Planning for the fiscal year 2010 budget was a somber task. Projections for fiscal year 2010 recurring revenues, which included real estate and other taxes, permit fees, planning fees, fines, grants, interest income and fees for services were approximately 3.1 percent below amounts for fiscal year 2009. The continuing economic uncertainly forced a modest restructuring of the town's operations. This included reductions in personnel, continuing a hiring freeze, and eliminating pay for performance and cost-of-living adjustments along with benefit reductions for employees. Many programs and services reductions were implemented to gain financial efficiencies without significantly sacrificing the services which town citizens have come to expect and enjoy.

At the conclusion of the fiscal year, actual revenues were $776,000 (or about 2 percent) less than final budget amounts. With the exception of right-of-way use fees, business license fees and the town's share of the state's 5% communications sales and use tax, much of this variance is related to the substantial decline in real estate tax and the stagnant condition of many other local taxes. A large variance of $2.369 million between actual expenditures (including transfers out) and the final budget was due to several circumstances. Comparing the final budget to actual revenues and expenditures reveals the following highlights:

Revenues:

- For the second consecutive year, the town experienced decreased assessments in residential values, largely driven by home foreclosures. Residential assessments decreased 27 percent this year, following a fiscal year 2009 decline of 8.5 percent.

Based on these assessments and mindful of predicted future declines, the fiscal year 2010 adopted real estate tax rate was $0.26 per $100 of assessed value, a $0.02 increase over the fiscal year 2009 tax rate of $0.24 per $100 of assessed value. When measured against the reduction in residential real estate assessments, over 90 percent of homeowners saw a tax decrease this year, with an average decrease of $200 per home.

- Actual real estate tax collections were about $82,000 less than anticipated due to a number of property assessment abatements granted by Fairfax County during the fiscal year. Real property assessments of land and buildings within the county and its towns are conducted annually by the county's Division of Real Estate Assessment. These assessments are used by the town to levy the town's own real estate taxes.
- Actual revenues from other local taxes were almost 3 percent ($211,000) above budgeted amounts. However, noticeable collection declines for a few consumer-sensitive revenue sources such as transient lodging tax, meals tax and local sales tax continue to be evident.
- Conversely, business license fees collected were substantially higher (at 19 percent) than the corresponding budget projection and garnered $552,000 more than originally anticipated.
- Revenues from permits, privilege fees and regulatory licenses were about 38 percent above budgeted amounts. Current fiscal year collections increased considerably in comparison to the previous fiscal year mostly due to the construction of the Darlington Oaks residential subdivision, located on Van Buren Street near the W&OD Trail.
- Interest earnings and rental payments together were 3 percent above budget projections. Interest earnings from the investment of temporarily idle cash balances totaled $390,000. The town's commercial property at 397 Herndon Parkway, which was partially leased at the end of the fiscal year, contributed $446,000 in rental payments to the town.
- Actual revenue from charges for services was approximately one percent below budgeted amounts. The decrease is mainly attributed to recreation program rental income and commercial refuse collection revenues, which ended the fiscal year with a combined $76,000 less in actual revenues than initially anticipated.
- Receipt of a federal Regional Surface Transportation Program (RSTP) grant for the Herndon Parkway intersection study, continued Transportation Enhancement grants for the Downtown Streets Improvement capital project and a Congestion Mitigation and Air Quality Improvement (CMAQ) grant to begin studies of a W&OD Trail overpass over Crestview Drive did not occur during the fiscal year. These three budgeted grant sources totaled $1,104,000.

Expenditures:

- Expenditure amounts for all operating departments (with the exception of grants) were less than the final budgets due to personnel vacancies, less than anticipated operating costs and delayed acquisition of vehicles and other capital equipment. Also impacting the final budget was the first budget amendment in July 2009 which established fiscal year 2010 carry-over appropriations for the June 30, 2009 outstanding purchase orders and authorized reserves.
- Budget amounts for grant expenditures did not include federal pass-through grants administered by the State police, DMV and the Department of Justice grant for police gang task force activities.
- Included in the town's final budget were transfers for various capital projects that were either deferred or will be funded directly in the future through state grants, federal grants, bond proceeds or other financing sources. Thus, actual transfers out from the General Fund to the Capital Projects Fund were significantly less than originally anticipated.

Capital Assets

The town's investment in capital assets at June 30, 2010, which amounted to approximately $107.2 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, 2010 and 2009
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital assets, not being depreciated or amortized:						
Land	$ 25,609	$ 25,609	$ 3,418	$ 3,418	$ 29,027	$ 29,027
Construction in progress	1,518	787	103	265	1,621	1,052
Total capital assets, not being depreciated or amortized	27,127	26,396	3,521	3,683	30,648	30,079
Capital assets, being depreciated or amortized:						
Infrastructure	75,721	74,300	-	-	75,721	74,300
Buildings	39,412	39,410	3,580	3,580	42,992	42,990
Improvements other than buildings	10,126	10,126	27,302	27,042	37,428	37,168
Machinery and equipment	9,578	10,223	2,517	2,477	12,095	12,700
Leasehold improvements	146	146	-	-	146	146
Furniture and fixtures	1,740	1,719	208	208	1,948	1,927
Intangibles	1,141	-	269	169	1,410	169
Total capital assets, being depreciated or amortized	137,864	135,924	33,876	33,476	171,740	169,400
Less total accumulated depreciation and amortization	(76,012)	(72,767)	(19,194)	(18,126)	(95,206)	(90,893)
Total capital assets being depreciated and amortized, net	61,852	63,157	14,682	15,350	76,534	78,507
Capital assets, net	$ 88,979	$ 89,553	$ 18,203	$ 19,033	$107,182	$108,586

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 within the next several years.

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

- Storm Drain Easements/Construction: Construction of the Madison Street/ Grant Street storm drainage improvement was completed during the fiscal year. This project included the installation of reinforced concrete pipe, curb and gutter, and sidewalk.

- Downtown Street Improvements: The town obtained an $800,000 federal stimulus grant to initiate the undergrounding of utilities in the downtown. The first step in this multi-year project will be to install duct banks and manhole structures on Elden Street from the W&OD Trail to the intersection of Spring and Station streets. During the fiscal year, an outside consultant was retained to conduct a feasibility study and provide the preliminary designs for the undergrounding program.

- Town Shop Improvements: Construction of this approximately 5,000 square foot addition to the town shop maintenance facility began during the fiscal year and is expected to be completed in early fall 2010. The addition includes a third drive-through vehicle maintenance bay, two levels of additional storage space, a wash bay and a materials lift for access to the second floor storage areas.

- South Elden Street Improvements: During the fiscal year, the final amenities were installed as part of this $11 million road improvement project. The road-widening segments of this project were completed by VDOT in December 2006, using funds from federal, state and town sources. The last enhancement of this project was the installation of crosswalks, which was completed in fall 2009.

- Triangle Street Improvements: This project, which complements the Darlington Oaks developer's required road improvements, widened the southbound lanes of Van Buren Street within the Northern Virginia Park Authority right-of-way for the W&OD Trail. Included as part of the street widening were the installation of curb and gutter, and sidewalk.

- Skate Park Facility: Through collaborative community meetings of town staff, interested skaters, parents, neighbors and the skate park committee members, a final design for the skate park at Trailside Park was selected and a construction firm awarded the contract. The project broke ground in June with an estimated September 2010 completion date.

- 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 $40,000 was expended on replacement of twenty-two older PC's, five ruggedized field laptops used by police, and three network file servers. In addition, substantial attention was focused on implementing IT architectural changes to support redesigned disaster recovery plans and completion of the town-wide Customer Relationship Management (CRM) service portal. The new service portal was launched for public use during the fiscal year.

- Waterline Replacement Projects: Construction of the Grace Street water main was completed during the 2009 summer. Also undertaken were the final design plans and engineering specifications for replacing the Spring and Oak streets water line. Construction of these water line located in the Wood-Nash-Pearl-Oak streets neighborhood is scheduled for fall 2010.

- Water and Sewer GIS: Through the use of GIS, the town began several years ago to electronically map its water, sewer and storm drainage infrastructure to improve in-house system analysis (including utility capacity studies), system maintenance and to meet regulatory requirements as stipulated under the Virginia Pollution Discharge Elimination System (VPDES) general permit. During the fiscal year, additional water and sewer layers and capabilities were developed and installed by an outside engineering consultant.

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

LONG-TERM DEBT

At June 30, 2010, the town's long-term liabilities, exclusive of compensated absences and amounts to be repaid within one year, totaled $20,385,000. Of this amount, $17,142,000 is a liability attributed to governmental activities with the remaining $3,243,000 attributed to business-type activities. The Town's maximum legal debt margin available, as permitted by the Commonwealth of Virginia is $367 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, 2010 is as follows:

Estimated Population	Assessed Valuation of Taxable Real Property	Governmental Net Bonded Debt	Ratio of Debt to Assessed Valuation	Net Bonded Debt per Capita
23,496	$3,853,860,827	$18,874,369	.0049	$803

During the fiscal year the town issued a public improvement note which had an outstanding balance of $865,000 at June 30, 2010. In March 2010, the town issued general obligation bonds under the VML/VACo Finance Program in the amount of $2.875 million. The bonds were a combination of taxable Recovery Zone Economic Development bonds (which contain a 45 percent federal interest rate subsidy), taxable Build America Bonds (which contain a 35 percent federal interest rate subsidy) and tax-exempt bonds. Bond proceeds of $2.375 million will finance three General Fund street infrastructure capital projects which are: construction of the Park-Monroe intersection improvements project; construction of the Station Street improvement project, and construction of sidewalks, driveway entrances, drainage systems and other improvements for the Pearl, Nash, Oak, Wood Streets neighborhood. In addition, $500,000 of the bond proceeds will be used to finance fairway bunker renovations and cart paths at Herndon Centennial Golf Course.

In July 2010, the town's rating from Standard & Poor's Credit Market Services and Fitch Ratings, Inc. was upgraded from "AA+" to "AAA". The town's rating from Moody's Investors Service, Inc. is "Aa1". The 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 2011:

- The percentage change in real property assessed value as of January 1, 2010 was a significant decline of 15 percent below the assessments of the previous year. This is the second consecutive year that the town has experienced substantial decreases in overall real estate values. Unlike the previous two years, the decline occurred mainly within the commercial sector of the tax base which experienced an overall assessment reduction of 23 percent.

- In response to the large decline in assessed real property values, the town's real estate tax rate was increased from $0.26 per $100 of assessed value to $0.2675 per $100 of assessed value. Despite the modest tax rate increase, when measured against the five percent overall reduction in residential real estate assessments, about 62 percent of town homeowners will see at least a nominal decrease in their town real estate tax bills for the upcoming year.
- The July 2010 unemployment rate in Fairfax County (which includes the Town of Herndon) is estimated at 5.0 percent compared to the actual rate of 4.8 percent in July 2009. In comparison, Virginia's seasonally unadjusted unemployment rate for July 2010 is estimated at 7.1 percent and the U.S. unemployment rate is estimated at 9.5 percent.
- A few local revenue sources increased moderately during fiscal year 2010. However, noticeable collection declines for such consumer-sensitive revenue sources as transient lodging tax, meals tax and local sales tax continued to be evident. Faced with the prospect of a continuing slow down in local economic activity, and coupled with a significant increase in vacant commercial office space, the combined budget projections for fiscal year 2011 for transient lodging tax, meals tax, and sales tax are twelve percent below the combined original projections for fiscal year 2010.

The total adopted fiscal year 2011 budget, including inter-fund transfers, is $42,131,000 which is about two percent more than the original budget for fiscal year 2010. With the exception of Water & Sewer operations and maintenance costs, all of the increase is tied to capital projects funding. Budget for capital projects increased from $1.7 million for fiscal year 2010 to $4.1 million for fiscal year 2011.

In addition, the fiscal year 2011 budget eliminated ten full-time and three part-time vacant positions from the list of authorized full and part time town positions. Also, five vacant positions will remain vacant (i.e., "frozen") and unfunded for fiscal year 2011.

Even with lean economic times, major capital improvement projects which were initiated in prior fiscal years will continue to advance in fiscal year 2011. Listed below are the major capital initiatives for the fiscal year:

- $500,000 to continue the study of significant transportation improvements at three Herndon Parkway intersections. Funding for this project is through a federal Regional Surface Transportation Program (RSTP) grant.
- $290,000 in VDOT Enhancement Grant funding for initiating the second phase of the Downtown Streets Improvement capital project. This project widens and enhances the streetscape with brick sidewalks, raised tree planter beds and other features consistent with the town's "Downtown Streetscape" standards.
- $1,466,000 in combined VDOT revenue sharing funds and bond proceeds to widen and improve Station Street, from Pine Street to Park Avenue. The project includes streetscape amenities, streetlights, curb, gutter, and local storm drainage improvements.
- $1,000,000 in bond proceeds to improve driveway entrances, sidewalks and drainage systems in the older neighborhood bound by Pearl, Nash, Oak and Wood streets.

- $450,000 in combined VDOT revenue sharing funds and general fund revenue to reconfigure Dranesville Road from the town line at Bennett Street to Park Avenue. The reconfiguration will reflect the town's current plans for traffic circulation and management in residential areas.

- $477,000 for the purchase and replacement of selected vehicles, equipment and information technology software upgrades and replacements.

- $673,000 in reserve funds for water line replacements at Oak Street, Florence Place, Spring Street (Locust to Nash).

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

www.herndon-va.gov

TOWN OF HERNDON, VIRGINIA

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	$ 17,616,451	$ 15,795,014	$ 33,411,465
Cash with fiscal agent	2,820,484	-	2,820,484
Receivables, net:			
Property taxes	4,460,188	-	4,460,188
Trade and other accounts	1,045,112	1,170,859	2,215,971
Accrued interest	69,860	65,720	135,580
Due from other governments	890,981	-	890,981
Inventories	111,219	71,357	182,576
Prepaid costs	58,505	2,716	61,221
Notes receivable	-	191,987	191,987
Internal balances	189,975	(189,975)	-
Deferred bond costs, net of accumulated amortization	232,075	46,692	278,767
Capital assets:			
Land	25,609,211	3,418,338	29,027,549
Infrastructure	75,721,315	-	75,721,315
Buildings	39,412,386	3,579,748	42,992,134
Improvements other than buildings	10,125,707	27,302,121	37,427,828
Leasehold improvements	145,823	-	145,823
Machinery and equipment	9,578,190	2,517,090	12,095,280
Furniture and fixtures	1,740,096	207,558	1,947,654
Intangibles	1,141,281	268,609	1,409,890
Construction in progress	1,517,840	103,530	1,621,370
Less: accumulated depreciation and amortization	(76,012,503)	(19,194,491)	(95,206,994)
Total assets	116,474,196	35,356,873	151,831,069
LIABILITIES			
Accounts payable	555,248	1,118,159	1,673,407
Accrued payroll	676,829	62,008	738,837
Accrued liabilities - other	1,057,414	235,125	1,292,539
Accrued interest	266,840	-	266,840
Unearned revenue	4,398,636	-	4,398,636
Retainage payable	71,992	-	71,992
Customer deposits and contingent charges	2,367,925	227,227	2,595,152
Noncurrent liabilities:			
Due within one year:			
Compensated absences	507,422	10,284	517,706
Bonds payable	1,732,403	177,597	1,910,000
Due in more than one year:			
Compensated absences	1,574,422	214,965	1,789,387
Notes payable	865,000	-	865,000
Bonds payable	16,313,604	3,301,186	19,614,790
Other postemployment benefits (OPEB)	730,124	95,876	826,000
Total liabilities	31,117,859	5,442,427	36,560,286
NET ASSETS			
Invested in capital assets, net of related debt	72,888,823	14,723,720	87,612,543
Restricted for:			
Cemetery perpetual care	1,331,216	-	1,331,216
Unrestricted	11,136,298	15,190,726	26,327,024
Total net assets	$ 85,356,337	$ 29,914,446	$ 115,270,783

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
Legislative	$ 633,438	$ -	$ -	$ -	$ (633,438)	$ -	$ (633,438)
Administration	2,164,235	12,827	112,141	-	(2,039,267)	-	(2,039,267)
Town attorney	532,305	-	-	-	(532,305)	-	(532,305)
Parks and recreation	4,310,670	2,720,621	-	-	(1,590,049)	-	(1,590,049)
Finance	1,288,960	442,880	-	-	(846,080)	-	(846,080)
Community development	2,353,844	-	130,958	-	(2,222,886)	-	(2,222,886)
Police	9,009,339	544,060	954,847	-	(7,510,432)	-	(7,510,432)
Public works	10,817,176	495,331	1,097,785	1,645,234	(7,578,826)	-	(7,578,826)
Interest	765,523	-	-	-	(765,523)	-	(765,523)
Total governmental activities	31,875,490	4,215,719	2,295,731	1,645,234	(23,718,806)	-	(23,718,806)
Business-type activities:							
Water and sewer	6,615,960	5,022,814	644,817	78,291	-	(870,038)	(870,038)
Golf course	1,561,787	1,396,993	-	-	-	(164,794)	(164,794)
Chestnut Grove cemetery	714,927	568,783	-	-	-	(146,144)	(146,144)
Downtown parking	44,814	-	-	-	-	(44,814)	(44,814)
Total business-type activities	8,937,488	6,988,590	644,817	78,291	-	(1,225,790)	(1,225,790)
Total government	$ 40,812,978	$ 11,204,309	$ 2,940,548	$ 1,723,525	(23,718,806)	(1,225,790)	(24,944,596)
General Revenues:							
Taxes:							
General property					10,417,959	-	10,417,959
Business licenses					3,395,732	-	3,395,732
Transient occupancy					2,202,096	-	2,202,096
Local sales					1,413,606	-	1,413,606
Other local taxes					5,100,117	-	5,100,117
Revenues not restricted to specific programs					92,844	-	92,844
Intergovernmental, non-categorical aid					29,026	-	29,026
Use of money and property					1,216,859	835,100	2,051,959
Miscellaneous					144,995	491,843	636,838
Transfers					(28,468)	28,468	-
Total general revenues and transfers					23,984,766	1,355,411	25,340,177
Change in net assets					265,960	129,621	395,581
Net assets, July 1					85,090,377	29,784,825	114,875,202
Net assets, June 30					$ 85,356,337	$ 29,914,446	$ 115,270,783

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-3
Page 1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and temporary cash investments	$ 9,979,634	$ 6,041,753	$ 1,595,064	$ 17,616,451
Cash with fiscal agent	-	2,820,484	-	2,820,484
Receivables (net of allowance for doubtful accounts):				
Property taxes	4,460,188	-	-	4,460,188
Accounts and other services	1,045,112	-	-	1,045,112
Accrued interest	37,154	28,559	4,147	69,860
Due from other governments	644,430	246,551	-	890,981
Inventories	111,219	-	-	111,219
Prepaid costs	58,505	-	-	58,505
Advances to other funds	351,975	-	-	351,975
Total assets	$ 16,688,217	$ 9,137,347	$ 1,599,211	$ 27,424,775

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-3
Page 2

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 371,006	$ 165,476	$ 18,766	$ 555,248
Accrued payroll	676,829	-	-	676,829
Accrued liabilities - other	785,097	272,317	-	1,057,414
Retainage payable	-	71,992	-	71,992
Deferred revenue	4,805,340	-	-	4,805,340
Deposits	2,367,925	-	-	2,367,925
Advances from other funds	-	162,000	-	162,000
Total liabilities	9,006,197	671,785	18,766	9,696,748
Fund Balances:				
Reserved for:				
Inventories	111,219	-	-	111,219
Prepaid costs	58,505	-	-	58,505
Loan to Capital Projects Fund	162,000	-	-	162,000
Loan to Cemetery Fund	189,975	-	-	189,975
Cemetery perpetual care	-	-	1,331,216	1,331,216
Unreserved:				
Designated for encumbrances	670,427	-	-	670,427
Designated for subsequent years' expenditures:				
General Fund	659,859	-	-	659,859
Capital Projects Funds	-	4,738,742	172,900	4,911,642
Undesignated:				
General Fund	5,830,035	-	-	5,830,035
Capital Projects Funds	-	3,726,820	76,329	3,803,149
Total fund balances	7,682,020	8,465,562	1,580,445	17,728,027
Total liabilities and fund balances	$ 16,688,217	$ 9,137,347	$ 1,599,211	$ 27,424,775

TOWN OF HERNDON, VIRGINIA

Exhibit A-4

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balances - Governmental Funds		$ 17,728,027
Amounts reported for governmental activities in the Statement of Net Assets 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	$ 164,991,849	
Less accumulated depreciation and amortization	(76,012,503)	
Net Capital Assets		88,979,346
Deferred revenue represents amounts that were not available to fund current expenditures, and, therefore, is not reported as revenue in the governmental funds.		406,704
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.		232,075
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	(18,046,007)	
Note payable	(865,000)	
Compensated absences	(2,081,844)	
Interest payable	(266,840)	
Other postemployment benefits (OPEB)	(730,124)	
		(21,989,815)
Net assets of governmental activities		$ 85,356,337

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-5
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	$ 10,397,197	$ -	$ -	$ 10,397,197
Other local taxes	12,111,551	-	-	12,111,551
Permits, privilege fees and regulatory licenses	398,453	-	-	398,453
Fines and forfeitures	546,486	-	-	546,486
Use of money and property	836,548	318,962	61,349	1,216,859
Charges for services	3,344,974	-	-	3,344,974
Miscellaneous	92,619	30,000	-	122,619
Intergovernmental	2,778,704	257,371	-	3,036,075
Total revenues	30,506,532	606,333	61,349	31,174,214
Expenditures:				
Current:				
Legislative	621,490	-	-	621,490
Administration	1,794,756	-	-	1,794,756
Town attorney	533,800	-	-	533,800
Parks and recreation	3,588,867	-	-	3,588,867
Finance	1,237,706	-	-	1,237,706
Community development	2,258,153	-	-	2,258,153
Police	8,605,850	-	-	8,605,850
Public works	9,071,074	-	-	9,071,074
Grants	112,375	-	-	112,375
Capital outlay	-	1,620,280	93,609	1,713,889
Debt service:				
Principal	1,804,517	-	-	1,804,517
Interest and fiscal charges	808,155	-	-	808,155
Total expenditures	30,436,743	1,620,280	93,609	32,150,632
Revenues over (under) expenditures	69,789	(1,013,947)	(32,260)	(976,418)

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	$ 22,376	$ -	$ -	$ 22,376
Issuance of debt	-	3,240,000	-	3,240,000
Premium on debt	-	71,562	-	71,562
Transfers in	498,000	633,500	124,481	1,255,981
Transfers out	(725,100)	(498,000)	(61,349)	(1,284,449)
Total other financing sources (uses), net	(204,724)	3,447,062	63,132	3,305,470
Net change in fund balances	(134,935)	2,433,115	30,872	2,329,052
Fund balances, July 1	7,816,955	6,032,447	1,549,573	15,398,975
Fund balances, June 30	$ 7,682,020	$ 8,465,562	$ 1,580,445	$ 17,728,027

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, 2010

		Governmental Funds
Net change in fund balances - total governmental funds		$ 2,329,052
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	$ 2,115,568	
Donated capital assets	738,713	
Less depreciation and amortization expense	(3,416,767)	
Excess of depreciation and amortization over capital outlay		(562,486)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(10,926)
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		234,615
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.		
Debt issued or incurred:		
General obligation debt	(3,240,000)	
Premium on general obligation debt	(71,562)	
Principal repayments:		
General obligation debt	1,804,517	
		(1,507,045)
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	(398)	
Compensated absences	96,341	
Other postemployment benefits (OPEB)	(356,223)	
Capitalized financing costs	60,902	
Amortization of premium, discounts and financing costs	(17,872)	
		(217,250)
Change in net assets of governmental activities		$ 265,960

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-7
Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Revenues:				
General property taxes	$ 10,497,020	$ 10,497,020	$ 10,397,197	$ (99,823)
Other local taxes	11,900,100	11,900,100	12,111,551	211,451
Permits, privilege fees and regulatory licenses	289,500	289,500	398,453	108,953
Fines and forfeitures	597,020	597,020	546,486	(50,534)
Use of money and property	815,900	815,900	836,548	20,648
Charges for services	3,387,880	3,387,880	3,344,974	(42,906)
Miscellaneous	75,000	75,000	92,619	17,619
Intergovernmental	3,719,710	3,719,710	2,778,704	(941,006)
Total revenues	31,282,130	31,282,130	30,506,532	(775,598)
Expenditures:				
Current:				
Legislative	614,586	630,286	621,490	(8,796)
Administration	1,889,335	1,934,491	1,794,756	(139,735)
Town attorney	431,771	537,104	533,800	(3,304)
Parks and recreation	3,830,969	3,882,965	3,588,867	(294,098)
Finance	1,284,261	1,295,516	1,237,706	(57,810)
Community development	2,339,900	2,593,787	2,258,153	(335,634)
Police	8,598,643	8,640,880	8,605,850	(35,030)
Public works	8,807,216	10,066,546	9,071,074	(995,472)
Grants	-	4,122	112,375	108,253
Debt Service:				
Principal	1,867,017	1,867,017	1,804,517	(62,500)
Interest and fiscal charges	797,482	797,482	808,155	10,673
Total expenditures	30,461,180	32,250,196	30,436,743	(1,813,453)
Revenues over (under) expenditures	820,950	(968,066)	69,789	1,037,855

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Other financing sources (uses):				
Proceeds from sale of capital assets	$ 21,000	$ 21,000	$ 22,376	$ 1,376
Issuance of debt	275,000	275,000	-	(275,000)
Transfers in	498,000	498,000	498,000	-
Transfers out	(1,719,100)	(1,281,100)	(725,100)	556,000
Total other financing uses, net	(925,100)	(487,100)	(204,724)	282,376
Net change in fund balance	(104,150)	(1,455,166)	(134,935)	1,320,231
Fund balance, July 1	104,150	1,455,166	7,816,955	6,361,789
Fund balance, June 30	$ -	$ -	$ 7,682,020	$ 7,682,020

TOWN OF HERNDON, VIRGINIA

Exhibit A-8
Page 1

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
ASSETS					
Current Assets:					
Cash, cash equivalents and temporary cash investments	$ 13,460,459	$ 1,374,937	$ 575,536	$ 384,082	$ 15,795,014
Receivables (net of allowance for doubtful accounts):					
Accounts and other services	1,155,276	2,014	855	12,714	1,170,859
Accrued interest	44,662	4,554	3,066	13,438	65,720
Inventories	51,037	20,320	-	-	71,357
Prepaid costs	-	-	1,716	1,000	2,716
Current notes receivable	-	-	-	35,368	35,368
Total current assets	14,711,434	1,401,825	581,173	446,602	17,141,034
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	156,619	156,619
Deferred bond costs, net of accumulated amortization	-	12,291	34,401	-	46,692
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	23,041,996	2,355,191	1,444,889	460,045	27,302,121
Machinery and equipment	1,603,159	834,193	79,738	-	2,517,090
Furniture and fixtures	194,920	5,918	6,720	-	207,558
Intangibles	268,609	-	-	-	268,609
Construction in progress	83,530	20,000	-	-	103,530
Less accumulated depreciation and amortization	(14,895,496)	(3,279,871)	(624,558)	(394,566)	(19,194,491)
Total capital assets (net of accumulated depreciation and amortization)	10,496,718	3,873,733	2,888,309	943,743	18,202,503
Total noncurrent assets	10,496,718	3,886,024	2,922,710	1,100,362	18,405,814
Total assets	25,208,152	5,287,849	3,503,883	1,546,964	35,546,848

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-8
Page 2

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 1,094,101	$ 18,895	$ 5,163	$ -	$ 1,118,159
Accrued payroll	25,760	26,258	9,990	-	62,008
Accrued liabilities - other	192,427	9,799	32,899	-	235,125
Compensated absences	3,906	3,890	2,488	-	10,284
Deposits	227,227	-	-	-	227,227
Advances from other funds	-	-	189,975	-	189,975
Current general obligations bonds payable	-	76,554	101,043	-	177,597
Total current liabilities	1,543,421	135,396	341,558	-	2,020,375
Noncurrent Liabilities:					
Compensated absences	72,332	105,918	36,715	-	214,965
Other postemployment benefits	51,626	29,500	14,750	-	95,876
Long-term general obligation bonds payable, net	-	1,275,982	2,025,204	-	3,301,186
Total noncurrent liabilities	123,958	1,411,400	2,076,669	-	3,612,027
Total liabilities	1,667,379	1,546,796	2,418,227	-	5,632,402
Net Assets:					
Invested in capital assets, net of related debt	10,496,718	2,521,197	762,062	943,743	14,723,720
Unrestricted	13,044,055	1,219,856	323,594	603,221	15,190,726
Total net assets	$ 23,540,773	$ 3,741,053	$ 1,085,656	$ 1,546,964	$ 29,914,446

TOWN OF HERNDON, VIRGINIA

Exhibit A-9
Page 1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	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	$ 2,528,730	$ -	$ -	$ -	$ 2,528,730
Sewer service charges	2,427,631	-	-	-	2,427,631
Late payment charges	55,005	-	-	-	55,005
Sale of commodities	11,448	-	-	-	11,448
Rents and leases	352,606	37,505	-	-	390,111
Greens fees	-	992,500	-	-	992,500
Golf cart revenue	-	270,014	-	-	270,014
Golf pro shop sales	-	64,670	-	-	64,670
Driving range fees	-	69,809	-	-	69,809
Cemetery sites	-	-	328,813	-	328,813
Interment services	-	-	159,330	-	159,330
Merchandise sales	-	-	80,640	-	80,640
Miscellaneous	18,142	22,637	20,440	40,513	101,732
Total operating revenues	5,393,562	1,457,135	589,223	40,513	7,480,433
Operating expenses:					
Finance	207,346	-	-	-	207,346
Water main maintenance	2,161,769	-	-	-	2,161,769
Sewer service charge	3,082,128	-	-	-	3,082,128
Contractual services	403,040	-	-	-	403,040
Golf course operations	-	717,788	-	-	717,788
Golf course club house	-	539,825	-	-	539,825
Cemetery operations	-	-	448,406	-	448,406
Downtown parking	-	-	-	14,281	14,281
Nondepartmental:					
Depreciation and amortization	709,770	207,575	139,583	30,533	1,087,461
Miscellaneous	51,907	49,364	17,717	-	118,988
Total operating expenses	6,615,960	1,514,552	605,706	44,814	8,781,032
Operating loss	(1,222,398)	(57,417)	(16,483)	(4,301)	(1,300,599)

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-9
Page 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	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	$ 735,594	$ 55,405	$ 27,299	$ 16,802	$ 835,100
Availability fees	644,817	-	-	-	644,817
Interest expense	-	(47,235)	(109,221)	-	(156,456)
Total nonoperating revenues (expenses), net	1,380,411	8,170	(81,922)	16,802	1,323,461
Income (loss) before capital contributions and transfers	158,013	(49,247)	(98,405)	12,501	22,862
Capital contributions	78,291	-	-	-	78,291
Transfers in	-	-	61,349	-	61,349
Transfers out	-	-	(32,881)	-	(32,881)
Change in net assets	236,304	(49,247)	(69,937)	12,501	129,621
Total net assets, July 1	23,304,469	3,790,300	1,155,593	1,534,463	29,784,825
Total net assets, June 30	$ 23,540,773	$ 3,741,053	$ 1,085,656	$ 1,546,964	$ 29,914,446

TOWN OF HERNDON, VIRGINIA

Exhibit A-10
Page 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
Cash Flows From Operating Activities:					
Receipts from customers	$ 5,305,615	$ 1,457,881	$ 589,223	$ 16,256	$ 7,368,975
Payments to suppliers for goods and services	(5,455,513)	(500,747)	(156,029)	(14,281)	(6,126,570)
Payments to employees for services	(854,527)	(790,639)	(320,911)	-	(1,966,077)
Net cash provided by (used in) operating activities	(1,004,425)	166,495	112,283	1,975	(723,672)
Cash Flows From Noncapital Financing Activities:					
Transfers in from other funds	-	-	61,349	-	61,349
Transfers out to other funds	-	-	(32,881)	-	(32,881)
Repayment of advances from other funds	-	-	(12,665)	-	(12,665)
Interest paid on advances from other funds	-	-	(8,612)	-	(8,612)
Net cash provided by noncapital financing activities	-	-	7,191	-	7,191
Cash Flows From Capital and Related Financing Activities:					
Water and sewer tap fees/contributions from local sources	644,817	-	-	-	644,817
Acquisition and construction of capital assets	(150,095)	(20,000)	(6,239)	-	(176,334)
Principal paid on bonds	-	(59,091)	(96,392)	-	(155,483)
Interest paid on bonds	-	(41,353)	(101,412)	-	(142,765)
Proceeds from bond issuance	-	500,000	-	-	500,000
Deferred charges, bond issuance costs	-	14,656	-	-	14,656
Net cash provided by (used in) capital and related financing activities	494,722	394,212	(204,043)	-	684,891
Cash Flows From Investing Activities:					
Principal received on note receivable	-	-	-	47,226	47,226
Interest received on note receivable	-	-	-	23,935	23,935
Interest received on investment securities	758,345	54,492	27,350	-	840,187
Net cash provided by investing activities	758,345	54,492	27,350	71,161	911,348
Net increase (decrease) in cash and cash equivalents	248,642	615,199	(57,219)	73,136	879,758
Cash and Cash Equivalents:					
Beginning	13,211,817	759,738	632,755	310,946	14,915,256
Ending	$ 13,460,459	$ 1,374,937	$ 575,536	$ 384,082	$ 15,795,014

TOWN OF HERNDON, VIRGINIA

Exhibit A-10
Page 2

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
Cash Flows From Operating Activities:					
Operating loss	$ (1,222,398)	$ (57,417)	$ (16,483)	$ (4,301)	$ (1,300,599)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	709,770	207,575	139,583	30,533	1,087,461
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	(76,576)	746	-	(24,257)	(100,087)
Inventories	(791)	3,664	-	-	2,873
Prepaid costs and other assets	-	-	(1,716)	-	(1,716)
Increase (decrease) in:					
Accounts payable, accrued liabilities and compensated absences	(403,059)	11,927	(9,101)	-	(400,233)
Deposits	(11,371)	-	-	-	(11,371)
Net cash provided by (used in) operating activities	$ (1,004,425)	$ 166,495	$ 112,283	$ 1,975	$ (723,672)
Schedule of Noncash Capital and Related Financing Activities					
Developer donated assets	$ 78,291	$ -	$ -	$ -	$ 78,291

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2010
(With Comparative Amounts for 2009)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2010	2009
ASSETS		
Mutual funds	**$ 1,854,681**	$ 1,794,181
Contributions receivable	**4,955**	5,194
Total assets	**1,859,636**	1,799,375
NET ASSETS		
Held in trust for pension benefits	**$ 1,859,636**	$ 1,799,375

See Notes to Financial Statements.

TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2010
(With Comparative Amounts for 2009)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2010	2009
Additions:		
Employer contributions	$ **133,510**	$ 133,672
Total contributions	**133,510**	133,672
Investment income (loss):		
Net increase (decrease) in the fair market value of investments	**177,492**	(272,276)
Total additions, net	**311,002**	(138,604)
Deductions:		
Benefit payments	**250,741**	15,271
Change in net assets	**60,261**	(153,875)
Net assets, July 1	**1,799,375**	1,953,250
Net assets, June 30	$ **1,859,636**	$ 1,799,375

See Notes to Financial Statements.

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 Assets 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.

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.

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.

Measurement Focus, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting (Continued)

All governmental and business-type activities and enterprise funds of the town follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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, 2010, budget revisions to governmental funds were made which resulted in a $1,789,016 increase in budgeted expenditures.

All budgets are adopted on a basis consistent with GAAP. Appropriations lapse June 30 unless specifically encumbered or reserved. At year-end, the town Council meets to encumber or reserve 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.

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 offset by a fund balance reserve account 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.

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 2009 per $100 of assessed value was $.26. 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 2010.

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) 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

(5) Capital Assets (Continued)

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

The town adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, during fiscal year 2010. The town's intangible assets consist of software, which was previously recorded and classified as machinery and equipment.

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
Leasehold improvements	Fully depreciated

(6) 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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

(7) 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 assets. 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.

(8) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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: All cash of the town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by federal depository insurance.

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.

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.

Note 2. Deposits and Investments (Continued)

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, 2010, 8% of the portfolio was invested in "AA+" U. S. Agency Securities, 67% was invested in "AAA" U. S. Agency Securities, 17% was invested in "AAAm" rated Money Market Funds, and 8% 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, 2010, 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	59%
Fixed Income	7%
Certificates of Deposit	6%

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.

		Investment Maturities (in years)		
	Fair Value	Less Than 1 Year	1 – 5 Years	5 – 10 Years
U. S. Agencies	$ 22,927,446	$ 2,208,826	$ 12,211,991	$ 8,506,629

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, 2010 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Golf Course Fund	Chestnut Grove Cemetery Fund	Nonmajor Proprietary Fund	Totals
Property tax	$ 4,463,838	$ -	$ -	$ -	$ -	$ 4,463,838
Meals tax	96,774	-	-	-	-	96,774
5% Communications tax	304,510	-	-	-	-	304,510
Transient occupancy tax	211,113	-	-	-	-	211,113
Fines and forfeitures	88,632	-	-	-	-	88,632
Trade and other accounts	344,083	1,384,491	2,014	1,530	12,714	1,744,832
Gross receivables	5,508,950	1,384,491	2,014	1,530	12,714	6,909,699
Less allowance for uncollectible accounts	(3,650)	(229,215)	-	(675)	-	(233,540)
Net receivables	$ 5,505,300	$ 1,155,276	$ 2,014	$ 855	$ 12,714	$ 6,676,159

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	$ 49,242	$ -
Advance billing of 2010-2011 taxes	-	4,398,636
Intergovernmental	225,352	-
Other	132,110	-
	$ 406,704	$ 4,398,636

Note 4. Due From Other Governments

Amounts due from other governments include the following:

General Fund:	
Federal government	$ 272,285
Commonwealth of Virginia	242,947
Other Local:	
County of Fairfax	100,115
Northern Virginia Cigarette Tax Board	29,083
	129,198
Total General Fund	644,430
Capital Projects Fund:	
Federal government	246,551
Total Capital Projects Fund	246,551
Total due from other governments	$ 890,981

Note 5. Notes Receivable

Notes receivable as of June 30, 2010 consist of the following:

	Downtown Parking Enterprise Fund
3.875% note, due in annual installments of $1,851, plus interest through June 2013	$ 5,553
5.36% note, due in annual installments of $1,851, plus interest through February 2015	9,256
4.715% note, due in annual installments of $2,036, plus interest through March 2017	14,255
4.27% note, due in annual installments of $16,291, plus interest through October 2017	130,332
4.515% note, due in annual installments of $11,858, plus interest through October 2023	166,005
4.10% note, due in annual installments of $1,481, plus interest through May 2024	20,734
	346,135
Less current maturities	(35,368)
Less allowance for uncollectible accounts	(154,148)
Long-term portion, net	$ 156,619

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	$ 25,609,211	$ -	$ -	$ 25,609,211
Construction in progress	786,626	1,545,859	(814,645)	1,517,840
Total capital assets, not being depreciated or amortized	26,395,837	1,545,859	(814,645)	27,127,051
Capital assets, being depreciated and amortized:				
Infrastructure	74,299,462	738,713	683,140	75,721,315
Buildings	39,410,346	-	2,040	39,412,386
Improvements other than buildings	10,125,707	-	-	10,125,707
Machinery and equipment	10,223,280	557,678	(1,202,768)	9,578,190
Intangibles	-	12,031	1,129,250	1,141,281
Leasehold improvements	145,823	-	-	145,823
Furniture and fixtures	1,719,192	-	20,904	1,740,096
Total capital assets being depreciated and amortized	135,923,810	1,308,422	632,566	137,864,798
Less accumulated depreciation and amortization for:				
Infrastructure	50,282,612	1,442,251	-	51,724,863
Buildings	9,319,693	994,756	-	10,314,449
Improvements other than buildings	5,154,285	396,609	-	5,550,894
Machinery and equipment	7,234,001	433,113	(1,005,575)	6,661,539
Intangibles	-	70,002	834,422	904,424
Leasehold improvements	145,823	-	-	145,823
Furniture and fixtures	630,475	80,036	-	710,511
Total accumulated depreciation and amortization	72,766,889	3,416,767	(171,153)	76,012,503
Total capital assets being depreciated and amortized, net	63,156,921	(2,108,345)	803,719	61,852,295
Governmental activities capital assets, net	$ 89,552,758	$ (562,486)	$ (10,926)	$ 88,979,346

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

Governmental activities:	
Legislative	$ 440
Administration	298,157
Parks and Recreation	715,571
Finance	40,371
Community Development	42,340
Police	355,598
Public Works	1,964,290
Total depreciation and amortization expense - governmental activities	$ 3,416,767

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	264,563	120,229	(281,262)	103,530
Total capital assets, not being depreciated or amortized	3,682,901	120,229	(281,262)	3,521,868
Capital assets, being depreciated and amortized:				
Buildings	3,579,748	-	-	3,579,748
Improvements other than buildings	27,041,618	78,290	182,213	27,302,121
Machinery and equipment	2,477,172	56,106	(16,188)	2,517,090
Furniture and fixtures	207,558	-	-	207,558
Intangibles	169,560	-	99,049	268,609
Total capital assets being depreciated and amortized	33,475,656	134,396	265,074	33,875,126
Less accumulated depreciation and amortization:				
Buildings	1,031,152	122,173	-	1,153,325
Improvements other than buildings	14,828,138	843,735	-	15,671,873
Machinery and equipment	1,931,546	99,404	(16,188)	2,014,762
Furniture and fixtures	203,889	336	-	204,225
Intangibles	130,749	19,557	-	150,306
Total accumulated depreciation and amortization	18,125,474	1,085,205	(16,188)	19,194,491
Total capital assets being depreciated and amortized, net	15,350,182	(950,809)	281,262	14,680,635
Business-type activities capital assets, net	$ 19,033,083	$ (830,580)	$ -	$ 18,202,503

Business-type activities:	
Water and Sewer	$ 709,770
Golf Course	207,393
Chestnut Grove Cemetery	137,509
Downtown Parking Enterprise	30,533
Total depreciation and amortization expense - business-type activities	$ 1,085,205

Note 7. Long-Term Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	$ 17,243,886	$ 2,375,000	$ 1,609,517	$ 18,009,369	$ 1,732,403
Note payable	195,000	865,000	195,000	865,000	-
Total	17,438,886	3,240,000	1,804,517	18,874,369	1,732,403
Compensated absences	2,178,185	1,765,473	1,861,814	2,081,844	507,422
Governmental activities long-term liabilities	19,617,071	5,005,473	3,666,331	20,956,213	$ 2,239,825
Plus deferred amount for bond premium	37,056	71,562	3,370	105,248	
Less deferred amount for bond discounts	(73,493)	-	(4,883)	(68,610)	
	$ 19,580,634	$ 5,077,035	$ 3,664,818	$ 20,992,851	

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

Year Ending June 30,	General Long-Term Debt: General Obligation Bonds Principal	General Obligation Bonds Interest	Note Payable Principal	Note Payable Interest
2011	$ 1,732,403	$ 723,368	$ -	$ 30,711
2012	1,320,711	666,286	-	30,711
2013	1,365,606	611,323	135,000	28,558
2014	1,401,721	553,925	135,000	26,209
2015	920,508	504,481	135,000	23,860
2016-2020	5,201,957	1,913,092	460,000	84,064
2021-2025	4,886,955	737,730	-	-
2026-2030	1,179,508	99,151	-	-
	$ 18,009,369	$ 5,809,356	$ 865,000	$ 224,113

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds

Refunding bonds issued December 1, 1993, interest at 5.20%, annual maturity $450,000 through December 2010	$	450,000
Public improvement bonds issued June 1, 2001, interest at 4.10%, payable semi-annually, annual maturity $134,748 to $213,838 through June 2021		1,895,254
Refunding bonds issued February 15, 2002, interest at 4.00% payable semi-annually, annual maturity from $510,000 to $515,000 through August 2013		2,050,000
Tax-exempt public improvement bonds issued December 1, 2003, interest at 3.02% to 4.52% payable semi-annually, annual maturity beginning in fiscal year 2016 from $425,000 to $625,000 through August 2023		4,700,000
Taxable public improvement bonds issued December 1, 2003, interest at 4.40% to 5.02% payable semi-annually, annual maturity from $350,000 to $420,000 through August 2014		1,920,000
Tax-exempt public improvement bonds issued December 1, 2005, interest at 4.0% to 4.5% payable semi-annually, annual maturity from $190,000 to $350,000 through August 2025		4,170,000
Tax-exempt public improvement bonds issued February 8, 2007, interest at 3.75% to 5.25%, payable semi-annually, annual maturity from $18,805 to $37,611 through February 2027		449,115
Tax-exempt Build America and Recovery Zone bonds issued March 1, 2010, interest at 2.00% to 6.07% payable semi-annually, annual maturity $78,850 to $166,000 through February 2030		2,375,000
Total general obligation bonds	$	18,009,369

Note Payable:

$1,765,000 VML/VACO Finance Program note payable, advances totaling $865,000 through fiscal year 2010, payable annually, plus interest, beginning in fiscal year 2012, annual maturity from $135,000 to $460,000 through July 2018. Interest payments at a variable rate begin in fiscal year 2012.	$	865,000

Note 7. Long-Term Obligations (Continued)

In June 2001 and February 2007, public improvement bonds were issued. Additionally, in March 2010, Build America and Recovery Zone bonds were issued. 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	$ 3,076,114	$ 500,000	$ 155,483	$ 3,420,631	$ 177,597
Compensated absences	220,230	126,380	121,361	225,249	10,284
Plus deferred amount for bond premium	65,577	14,656	3,944	76,289	-
Less deferred amount for bond discount	(19,799)	-	(1,662)	(18,137)	-
Business-type activities long-term liabilities	$ 3,342,122	$ 641,036	$ 279,126	$ 3,704,032	$ 187,881

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2011	$ 177,597	$ 151,720
2012	184,289	146,426
2013	194,394	139,214
2014	203,279	131,300
2015	209,492	123,236
2016-2020	1,198,043	469,453
2021-2025	828,045	200,073
2026-2030	425,492	37,033
	$ 3,420,631	$ 1,398,455

Note 7. Long-Term Obligations (Continued)

	Golf Course Fund Long-Term Debt	Cemetery Fund Long-Term Debt
Serial bonds:		
Public improvement bonds issued June 1, 2001; interest at 4.10% to 4.88% payable semi-annually; annual maturity from $95,252 to $151,162 through June 2021, less unamortized amount of $18,137	$ 838,094	$ 483,515
Public improvement bonds, issued February 8, 2007, interest at 3.75% to 5.25% payable semi-annually, annual maturity from $66,195 to $132,389 through February 2027, plus unamortized amount of $61,847	-	1,642,732
Build America and Recovery Zone bonds, issued March 1, 2010, interest at 2.00% to 6.07% payable semi-annually, annual maturity from $16,150 to $34,000 through February 2030, plus unamortized amount of $14,442	514,442	-
	$ 1,352,536	$ 2,126,247

The available legal debt margin mandated by the Commonwealth of Virginia is $366,511,714 which is computed based upon 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

Note 8. Retirement and Pension Plans

The town employees are covered under various retirement plans as follows:

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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% sheriffs and, if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at http://www.varetire.org/pdf/publications/2009-annual-report.pdf or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution has been assumed by the town. 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 of Herndon's contribution rate for the fiscal year ended June 30, 2010 was 11.92% of annual covered payroll.

Note 8. Retirement and Pension Plans (Continued)

C. Annual Pension Cost (APC)

For fiscal year 2010, the town's annual pension cost of $1,812,947 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	Percentage of APC Contributed		Net Pension Obligation
June 30, 2008	$	1,801,517	100%	$	-
June 30, 2009		1,826,884	100%		-
June 30, 2010		1,812,947	100%		-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an investment rate of return (net of administrative expenses) of 7.50%, (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. 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 payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the Plan was 92% funded. The actuarial accrued liability for benefits was $47,617,917, and the actuarial value of assets was $43,841,672, resulting in an unfunded actuarial accrued liability (UAAL) of $3,776,245. The covered payroll (annual payroll of active employees covered by the Plan) was $15,625,249, and ratio of the UAAL to the covered payroll was 24%.

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 (AAL) for benefits.

Note 8. Retirement and Pension Plans (Continued)

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 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, 2010 was approximately $5,594,532, which was 32% of the total town payroll of $17,313,027. There were 75 participants in the Plan at June 30, 2010. 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 $133,510 for the fiscal year ended June 30, 2010. Data concerning the value of vested and nonvested benefits as of June 30, 2010 is as follows:

Vested benefits	$	1,757,083
Nonvested benefits		102,553
	$	1,859,636

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

Note 8. Retirement and Pension Plans (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, 2010, 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, 2010 and 2009 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	2010	2009
Mutual Funds:		
Dimensional U. S. Large Value	$ 112,622	$ -
Federated Capital Preservation	345,130	478,124
Janus Twenty Fund, Inc.	264,729	244,916
Vanguard Index Trust 500 Index	448,640	388,702
Vanguard Bond Index FD Interm.	352,300	317,746
Vanguard Mid-Cap Growth Index Inv	145,473	118,526
Other Investments Individually Less Than 5% of Plan Assets	185,787	246,167
	$ 1,854,681	$ 1,794,181

Note 9. Other Postemployment Benefits

A. Plan Description

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

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 2008, the town had an actuarial valuation of postemployment benefits performed. 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 $198,000 and the annual benefit cost is $601,000. The percentage of annual OPEB cost contributed is 32.95%.

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, 2010, the town has recorded a liability of $826,000 on the Statement of Net Assets. ($730,124 governmental activities and $95,876 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)	$ 601,000
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	(18,000)
Annual OPEB cost	601,000
Estimated contributions made	(198,000)
Increase in net OPEB obligation	403,000
Net OPEB obligation, beginning of year	423,000
Net OPEB obligation, end of year	$ 826,000

Note 9. Other Postemployment Benefits (Continued)

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

Trend Information

Two-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 601,000	32.95%	$ 826,000
June 30, 2009	569,000	25.66%	423,000

D. Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial value of assets was $-0-, resulting in an unfunded actuarial liability (UAAL) of $5,708,000 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, 2008	$ -	$ 5,708,000	$ 5,708,000	0.00%	$ 15,625,249	36.53%
July 1, 2008	-	5,284,000	5,284,000	0.00%	14,781,700	35.75%

Note 9. 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, 2008 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include a four and one-quarter percent rate of return, 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 10. Interfund Receivables and Payables

Interfund balances as of June 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: Chestnut Grove Cemetery	$ 189,975
General	Governmental: Capital Projects	$ 162,000
	Total	$ 351,975

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

Note 11. Interfund Transfers

A summary of interfund transfer activity is presented as follows:

	Transfer from Fund				
	Governmental Activities			Business-type Activity	
Transfer To Fund:	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Chestnut Grove Cemetery Fund	Total Transferred In
Primary government:					
Governmental activities:					
General Fund	$ -	$ 498,000	$ -	$ -	$ 498,000
Capital Projects Fund	633,500	-	-	-	633,500
Nonmajor Governmental Fund	91,600	-	-	32,881	124,881
Business-type activities:					
Chestnut Grove Cemetery Fund	-	-	61,349	-	61,349
Total Transferred Out	$ 725,100	$ 498,000	$ 61,349	$ 32,881	$ 1,317,330

The transfers from the General Fund to the Capital Projects Fund and Nonmajor Government 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.

The transfer from the Capital Projects Fund to the General Fund represents a partial return of available, undesignated funds contained within the Capital Projects Fund. These funds were originally transferred from the General Fund in prior years to finance various governmental capital projects.

Note 12. Surety Bonds

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

Official's Name	Title of Official	Amount of Surety Bond
Stephen J. DeBenedittis	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
Toussaint Summers, Jr.	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

Note 13. 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 14. Operating Lease Commitments

The town rents various properties from other organizations under both cancellable and noncancelable operating leases. Rental costs approximated $178,000 in the General Fund in 2010.

Rental commitments under noncancelable operating leases at June 30, 2010 are approximately $136,000 for the year ended June 30, 2010, with options for renewal at the conclusion of the lease.

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, 2010 and no indication of potential town liability has been determined.

Note 16. Pending GASB Statements

At June 30, 2010, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the town. The statements which might impact the town are as follows:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* establishes standards to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Statement No. 54 will be effective for periods beginning after June 15, 2010.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent-Multiple Employer Plans*, establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. In addition, it clarifies requirements of Statements 43 and 45 related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate. Statement No. 57 will be effective for periods beginning after June 15, 2011.

GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Statement No. 59 will be effective for periods beginning after June 15, 2010.

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

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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, 2009	$ 43,841,672	$ 47,617,917	$ 3,776,245	92.07%	$ 15,625,249	24.17%
June 30, 2008	41,580,907	43,113,324	1,532,417	96.45%	14,781,700	10.37%
June 30, 2007	36,607,652	38,719,382	2,111,730	94.55%	13,224,304	15.97%

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2008	$ -	$ 5,708,000	$ 5,708,000	0.00%	$ 15,625,249	36.53%
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
2010	$ 601,000	32.95%
2009	569,000	25.66%

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SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted 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

Exhibit B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue	Capital Projects	
	Chestnut Grove Cemetery Perpetual Care Fund	Information Systems Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	$ 1,327,069	$ 267,995	$ 1,595,064
Accrued interest	4,147	-	4,147
Total assets	$ 1,331,216	$ 267,995	$ 1,599,211
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 18,766	$ 18,766
Fund balances:			
Reserved for:			
Cemetery perpetual care	1,331,216	-	1,331,216
Unreserved:			
Designated for subsequent years' expenditures	-	172,900	172,900
Undesignated	-	76,329	76,329
Total fund balances	1,331,216	249,229	1,580,445
Total liabilities and fund balances	$ 1,331,216	$ 267,995	$ 1,599,211

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue	Capital Projects	
	Chestnut Grove Cemetery Perpetual Care Fund	Information Systems Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Revenue from local sources:			
Use of money and property	$ 61,349	$ -	$ 61,349
Total revenues	61,349	-	61,349
Expenditures:			
Capital outlay	-	93,609	93,609
Revenues over (under) expenditures	61,349	(93,609)	(32,260)
Other financing sources (uses):			
Transfers in	32,881	91,600	124,481
Transfers out	(61,349)	-	(61,349)
Total other financing sources (uses), net	(28,468)	91,600	63,132
Net change in fund balances	32,881	(2,009)	30,872
Fund balances, July 1	1,298,335	251,238	1,549,573
Fund balances, June 30	$ 1,331,216	$ 249,229	$ 1,580,445

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SUPPLEMENTAL SCHEDULES

TOWN OF HERNDON, VIRGINIA

Exhibit B-3

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2010
(With Comparative Amounts for 2009)

	2010	2009
ASSETS		
Cash, cash equivalents and temporary cash investments	$ 9,979,634	$ 10,174,806
Receivables (net of allowance for doubtful accounts):		
Property taxes	4,460,188	5,099,632
Accounts and other services	1,045,112	965,617
Accrued interest	37,154	39,945
Due from other governments	644,430	405,359
Inventories	111,219	232,837
Prepaid costs	58,505	63,951
Advances to other funds	351,975	400,140
Total assets	$ 16,688,217	$ 17,382,287
LIABILITIES		
Liabilities:		
Accounts payable	$ 371,006	$ 590,582
Accrued payroll	676,829	615,037
Accrued liabilities - other	785,097	571,826
Deferred revenue	4,805,340	5,222,139
Deposits	2,367,925	2,565,748
Total liabilities	9,006,197	9,565,332
Fund balances:		
Reserved for:		
Inventories	111,219	232,837
Prepaid costs	58,505	63,951
Loan to Capital Projects Fund	162,000	197,500
Loan to Cemetery Fund	189,975	202,640
Unreserved:		
Designated for encumbrances	670,427	479,420
Designated for subsequent years' expenditures	659,859	1,067,728
Undesignated	5,830,035	5,572,879
Total fund balances	7,682,020	7,816,955
Total liabilities and fund balances	$ 16,688,217	$ 17,382,287

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 1

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Revenue from local sources:				
General property taxes:				
Real estate taxes	$ 10,040,520	$ 10,040,520	$ 9,958,231	$ (82,289)
Elderly tax relief exemption	-	-	(68,755)	(68,755)
Public service corporation taxes	378,500	378,500	462,591	84,091
Penalties and interest	78,000	78,000	45,130	(32,870)
Total general property taxes	10,497,020	10,497,020	10,397,197	(99,823)
Other local taxes:				
Consumer utility tax	782,800	782,800	788,265	5,465
Right of way use fees	160,370	160,370	220,705	60,335
Cigarette tax	348,230	348,230	293,592	(54,638)
Transient occupancy tax	2,544,950	2,544,950	2,202,096	(342,854)
Bank stock tax	255,780	255,780	303,732	47,952
Cable T.V. franchise fees	121,900	121,900	152,195	30,295
Business licenses tax	2,843,750	2,843,750	3,395,732	551,982
Utility consumption tax	95,500	95,500	111,420	15,920
Motor vehicle licenses	275,170	275,170	290,313	15,143
Local sales tax	1,571,300	1,571,300	1,413,606	(157,694)
Meals tax	1,086,220	1,086,220	1,086,649	429
5% communications tax	1,814,130	1,814,130	1,853,246	39,116
Total other local taxes	11,900,100	11,900,100	12,111,551	211,451
Permits, privilege fees and regulatory licenses:				
Planning fees	63,800	63,800	89,492	25,692
Building inspection fees and permits	206,200	206,200	297,986	91,786
Right of way permit fees	19,500	19,500	10,975	(8,525)
Total permits, privilege fees and regulatory licenses	289,500	289,500	398,453	108,953
Fines and forfeitures:				
Court fines and costs	40,400	40,400	49,467	9,067
Court fees - Fairfax County	511,150	511,150	464,397	(46,753)
Court maintenance fees	11,670	11,670	11,546	(124)
Zoning fines	33,800	33,800	21,076	(12,724)
Total fines and forfeitures	597,020	597,020	546,486	(50,534)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 2

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	$ 320,000	$ 320,000	$ 390,206	$ 70,206
Rental income	495,900	495,900	446,342	(49,558)
Total use of money and property	815,900	815,900	836,548	20,648
Charges for services:				
Franchise lease	86,730	86,730	92,844	6,114
Sale of publications	100	100	15	(85)
Commercial refuse collection	50,050	50,050	23,981	(26,069)
Recycling collection	48,520	48,520	51,821	3,301
Recreation program fees	1,570,970	1,570,970	1,573,966	2,996
Admission fees	527,900	527,900	519,023	(8,877)
Park operation	6,500	6,500	9,072	2,572
Herndon festival	287,300	287,300	342,079	54,779
Concession	41,360	41,360	32,275	(9,085)
Rental income - parks & recreation	98,290	98,290	47,921	(50,369)
Tennis/multi-use facility	201,980	201,980	196,285	(5,695)
Newspaper sales	25,300	25,300	12,812	(12,488)
Quasi - external revenue - charges for administration, personnel and other services:				
Chestnut Grove Cemetery fund	13,010	13,010	13,010	-
Golf course fund	26,830	26,830	26,830	-
Water and sewer fund	403,040	403,040	403,040	-
Total charges for services	3,387,880	3,387,880	3,344,974	(42,906)
Miscellaneous:				
Miscellaneous	75,000	75,000	92,619	17,619
Total revenue from local sources	27,562,420	27,562,420	27,727,828	165,408
Intergovernmental:				
From the County of Fairfax:				
Contribution for neighborhood resource center	112,140	112,140	112,141	1
Total from County of Fairfax	112,140	112,140	112,141	1

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 3

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
From the Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	$ 606,895	$ 606,895	$ 575,428	$ (31,467)
Vehicle rental taxes	41,800	41,800	29,026	(12,774)
Total non-categorical aid	648,695	648,695	604,454	(44,241)
Categorical aid:				
Fire fund program	60,700	60,700	59,744	(956)
Litter control grant	5,805	5,805	4,721	(1,084)
Financial assistance for the arts	12,500	12,500	-	(12,500)
VDRPT trolley study grant (state portion)	-	-	4,996	4,996
Street and highway maintenance allocation	1,486,210	1,486,210	1,298,301	(187,909)
Total categorical aid	1,565,215	1,565,215	1,367,762	(197,453)
Total from the Commonwealth	2,213,910	2,213,910	1,972,216	(241,694)
From the Federal government:				
Categorical aid:				
Office of Justice Pgms./VEST grant	-	-	4,125	4,125
Dept. of Transportation/ State & Community Highway Safety grant	25,000	25,000	34,708	9,708
Bureau of Justice Assistance/ JAG grant	-	-	2,030	2,030
Office of Justice Pgms./ JJDP grant	178,660	178,660	171,718	(6,942)
ARRA- Dept. of Justice/ JAG grant	-	-	55,941	55,941
ARRA- Office of Juvenile Justice/ ICAC grant	-	-	85,861	85,861
Regional surface transportation program preliminary engineering	400,000	400,000	-	(400,000)
FTA Trolley study grant (federal portion)	-	-	39,962	39,962
Dept of Housing & Urban Dev./ Bilingual grant	86,000	86,000	86,000	-
Dept. of Homeland Sec./ FEMA	-	-	214,002	214,002
CMAQ grant - W&OD trail crossing	132,000	132,000	-	(132,000)
Transportation enhancement grant - DT Streets	572,000	572,000	-	(572,000)
Total from the Federal government	1,393,660	1,393,660	694,347	(699,313)
Total intergovernmental revenue	3,719,710	3,719,710	2,778,704	(941,006)
Total General Fund revenues	$ 31,282,130	$ 31,282,130	$ 30,506,532	$ (775,598)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 1

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Legislative:				
Personnel services	$ 360,917	$ 360,917	$ 360,764	$ (153)
Operations and maintenance	253,669	269,369	260,726	(8,643)
Total legislative	614,586	630,286	621,490	(8,796)
Administration:				
Public information:				
Personnel services	155,427	155,427	158,641	3,214
Operations and maintenance	68,450	78,450	53,536	(24,914)
	223,877	233,877	212,177	(21,700)
Town manager:				
Personnel services	319,025	319,025	317,026	(1,999)
Operations and maintenance	16,800	16,800	14,226	(2,574)
	335,825	335,825	331,252	(4,573)
Human resources:				
Personnel services	376,092	376,092	358,086	(18,006)
Operations and maintenance	81,225	81,225	58,016	(23,209)
	457,317	457,317	416,102	(41,215)
Information services:				
Personnel services	631,791	631,791	623,893	(7,898)
Operations and maintenance	240,525	275,681	211,332	(64,349)
	872,316	907,472	835,225	(72,247)
Total administration	1,889,335	1,934,491	1,794,756	(139,735)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 2

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Town attorney:				
Personnel services	$ 314,259	$ 314,259	$ 296,388	$ (17,871)
Operations and maintenance	117,512	222,545	237,115	14,570
Capital outlay	-	300	297	(3)
Total town attorney	431,771	537,104	533,800	(3,304)
Parks and recreation:				
Administration:				
Personnel services	415,653	415,653	382,740	(32,913)
Operations and maintenance	96,840	98,947	93,461	(5,486)
	512,493	514,600	476,201	(38,399)
Recreation programs:				
Personnel services	843,182	843,182	871,113	27,931
Operations and maintenance	643,205	651,968	476,845	(175,123)
Capital outlay	-	620	620	-
	1,486,387	1,495,770	1,348,578	(147,192)
Community center operations:				
Personnel services	809,469	809,469	781,396	(28,073)
Operations and maintenance	205,450	207,165	158,921	(48,244)
	1,014,919	1,016,634	940,317	(76,317)
Aquatics programs and operations:				
Personnel services	540,338	540,338	560,121	19,783
Operations and maintenance	136,000	136,280	112,904	(23,376)
	676,338	676,618	673,025	(3,593)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 3

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Parks and recreation: (Continued)				
Park operations and development:				
Personnel services	$ 68,072	$ 68,072	$ 61,591	$ (6,481)
Operations and maintenance	72,760	103,010	87,195	(15,815)
Capital outlay	-	8,261	1,960	(6,301)
	140,832	179,343	150,746	(28,597)
Total parks and recreation	3,830,969	3,882,965	3,588,867	(294,098)
Finance:				
Administration:				
Personnel services	212,022	212,022	211,190	(832)
Operations and maintenance	294,120	311,015	292,787	(18,228)
	506,142	523,037	503,977	(19,060)
Billing and accounting:				
Personnel services	401,237	401,237	400,204	(1,033)
Operations and maintenance	22,000	22,000	16,318	(5,682)
	423,237	423,237	416,522	(6,715)
Revenue:				
Personnel services	237,689	231,989	206,723	(25,266)
Operations and maintenance	30,450	30,510	24,366	(6,144)
	268,139	262,499	231,089	(31,410)
Procurement:				
Personnel services	80,533	80,533	81,584	1,051
Operations and maintenance	6,210	6,210	4,534	(1,676)
	86,743	86,743	86,118	(625)
Total finance	1,284,261	1,295,516	1,237,706	(57,810)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 4

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Community development:				
Administration:				
Personnel services	$ 1,265,783	$ 1,265,783	$ 1,134,337	$ (131,446)
Operations and maintenance	48,375	291,526	232,553	(58,973)
	1,314,158	1,557,309	1,366,890	(190,419)
Community inspections:				
Personnel services	483,212	483,212	459,683	(23,529)
Operations and maintenance	21,300	21,300	9,377	(11,923)
	504,512	504,512	469,060	(35,452)
Neighborhood resources:				
Personnel services	267,020	267,020	181,797	(85,223)
Operations and maintenance	254,210	264,946	240,406	(24,540)
	521,230	531,966	422,203	(109,763)
Total community development	2,339,900	2,593,787	2,258,153	(335,634)
Police:				
Field operations:				
Personnel services	4,827,816	4,827,816	4,918,498	90,682
Operations and maintenance	150,750	162,462	151,191	(11,271)
Capital outlay	60,000	77,080	123,350	46,270
	5,038,566	5,067,358	5,193,039	125,681
Support services:				
Personnel services	3,129,007	3,129,007	3,031,579	(97,428)
Operations and maintenance	376,920	370,864	315,753	(55,111)
Capital outlay	54,150	73,651	65,479	(8,172)
	3,560,077	3,573,522	3,412,811	(160,711)
Total police	8,598,643	8,640,880	8,605,850	(35,030)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 5

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Public Works:				
Administration:				
Personnel services	$ 820,987	$ 820,987	$ 836,435	$ 15,448
Operations and maintenance	41,500	41,500	31,605	(9,895)
	862,487	862,487	868,040	5,553
Engineering:				
Personnel services	453,410	453,410	450,301	(3,109)
Operations and maintenance	55,720	102,583	51,013	(51,570)
	509,130	555,993	501,314	(54,679)
Program management:				
Personnel services	230,064	230,064	227,547	(2,517)
Operations and maintenance	7,550	23,395	4,204	(19,191)
	237,614	253,459	231,751	(21,708)
Building inspections:				
Personnel services	425,407	425,407	415,175	(10,232)
Operations and maintenance	80,175	94,837	76,751	(18,086)
	505,582	520,244	491,926	(28,318)
Building maintenance:				
Personnel services	531,385	531,385	523,287	(8,098)
Operations and maintenance	640,370	1,381,929	1,314,685	(67,244)
Capital outlay	-	30,500	-	(30,500)
	1,171,755	1,943,814	1,837,972	(105,842)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 6

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Public works: (Continued)				
Grounds maintenance:				
Personnel services	$ 579,745	$ 579,745	$ 413,603	$ (166,142)
Operations and maintenance	165,780	207,050	113,317	(93,733)
	745,525	786,795	526,920	(259,875)
Street maintenance:				
Personnel services	611,711	611,711	853,911	242,200
Operations and maintenance	654,000	748,445	577,973	(170,472)
Capital outlay	-	106,632	106,632	-
	1,265,711	1,466,788	1,538,516	71,728
Refuse/recycling:				
Personnel services	983,017	983,017	976,658	(6,359)
Operations and maintenance	477,261	485,002	442,070	(42,932)
Capital outlay	175,000	175,000	175,000	-
	1,635,278	1,643,019	1,593,728	(49,291)
Vehicle and equipment maintenance:				
Personnel services	755,188	755,188	768,424	13,236
Operations and maintenance	390,550	408,134	157,367	(250,767)
Capital outlay	100,000	135,272	18,873	(116,399)
	1,245,738	1,298,594	944,664	(353,930)
Traffic engineering:				
Personnel services	262,596	262,596	118,732	(143,864)
Operations and maintenance	117,475	143,387	96,824	(46,563)
Capital outlay	-	81,045	81,045	-
	380,071	487,028	296,601	(190,427)

TOWN OF HERNDON, VIRGINIA

Exhibit B-5
Page 7

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Public works: (Continued)				
Right of way inspections:				
Personnel services	$ 237,405	$ 237,405	$ 233,279	$ (4,126)
Operations and maintenance	10,920	10,920	6,363	(4,557)
	248,325	248,325	239,642	(8,683)
Total public works	8,807,216	10,066,546	9,071,074	(995,472)
Grants:				
Operations	-	4,122	112,375	108,253
Total grants	-	4,122	112,375	108,253
Debt service:				
Principal	1,867,017	1,867,017	1,804,517	(62,500)
Interest and fiscal charges	797,482	797,482	808,155	10,673
Total debt service	2,664,499	2,664,499	2,612,672	(51,827)
Total General Fund expenditures	$ 30,461,180	$ 32,250,196	$ 30,436,743	$ (1,813,453)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 1

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES) COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

		Actual Revenues and Other Financing Sources (Uses)		
Project	Estimated Revenues	Prior Years	Current Year	Total Actual Revenues
Folly Lick Watershed:				
Builder contributions	$ 413,140	$ 413,140	$ -	$ 413,140
Transfer from General Fund	753,330	753,330	-	753,330
Proceeds from County of Fairfax	463,102	463,102	-	463,102
Interest on investments	640,633	635,223	5,410	640,633
Reallocation of remaining authorizations	(1,848,417)	(1,848,417)	-	(1,848,417)
Sugarland Run Watershed:				
Builder contributions	751,853	751,853	-	751,853
Interest on investments	798,370	798,370	-	798,370
Reallocation of remaining authorizations	(1,232,371)	(1,254,081)	21,710	(1,232,371)
Horse Pen Run Watershed:				
Builder contributions	21,581	21,581	-	21,581
Interest on investments	18,522	13,825	4,697	18,522
Storm Drain Easement/Construction:				
Builder contributions	14,171	14,171	-	14,171
Transfer from General Fund	1,485,200	1,485,200	-	1,485,200
Interest on investments	208,851	176,640	32,211	208,851
Reallocation of remaining authorizations	174,923	231,223	(56,300)	174,923

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 2

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES) COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

		Actual Revenues and Other Financing Sources (Uses)		
Project	Estimated Revenues	Prior Years	Current Year	Total Actual Revenues
Huntmar-Spring/Van Buren Street Improvements:				
Builder bond default	$ 18,750	$ 18,750	$ -	$ 18,750
Interest on investments	26,144	22,835	3,309	26,144
Reallocation of remaining authorizations	(24,513)	(21,204)	(3,309)	(24,513)
Baker Building:				
Interest on investments	1,090	1,090	-	1,090
Reallocation of remaining authorizations	(1,090)	602	(1,692)	(1,090)
Traffic Signals and Automated Control Systems:				
Builder contributions	6,250	6,250	-	6,250
Federal/ state grants	72,968	62,149	10,819	72,968
Transfer from General Fund	572,294	572,294	-	572,294
Interest on investments	96,241	86,823	9,418	96,241
Reallocation of remaining authorizations	302,224	326,481	(24,257)	302,224
Streets - VDOT Contributions:				
Transfer from General Fund	90,000	90,000	-	90,000
Interest on investments	58,874	51,142	7,732	58,874
Reallocation of remaining authorizations	34,877	42,609	(7,732)	34,877
Street Light Installation:				
Transfer from General Fund	291,000	261,000	30,000	291,000
Interest on investments	85,679	64,320	21,359	85,679
Reallocation of remaining authorizations	(53,965)	(32,606)	(21,359)	(53,965)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 3

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUE AND OTHER FINANCING SOURCES (USES)
COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

		Actual Revenues and Other Financing Sources (Uses)		
Project	Estimated Revenues	Prior Years	Current Year	Total Actual Revenues
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	90,261	70,720	19,541	90,261
Reallocation of remaining authorizations	(233,589)	(214,048)	(19,541)	(233,589)
Herndon Community Center - Phase IV/Fixtures:				
Issuance of debt	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	228,105	222,631	5,474	228,105
Reallocation of remaining authorizations	(1,338,457)	(1,340,623)	2,166	(1,338,457)
Locust Street Improvements:				
Builder contributions	61,083	61,083	-	61,083
Interest on investments	56,247	48,154	8,093	56,247
Reallocation of remaining authorizations	(71,358)	(63,265)	(8,093)	(71,358)
Downtown Street Improvements:				
Federal/state grants	736,659	736,659	-	736,659
Transfer from General Fund	1,766,968	1,623,968	143,000	1,766,968
Proceeds from bond issue	787,032	787,032	-	787,032
Interest on investments	430,739	430,739	-	430,739
Reallocation of remaining authorizations	(1,752,469)	(1,953,758)	201,289	(1,752,469)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 4

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)
COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses) Prior Years	Actual Revenues and Other Financing Sources (Uses) Current Year	Total Actual Revenues
Storm Water Management:				
Transfer from General Fund	$ 250,000	$ 250,000	$ -	$ 250,000
Interest on investments	64,821	64,821	-	64,821
Reallocation of remaining authorizations	(36,474)	(36,474)	-	(36,474)
Public Safety Center:				
Federal/state grants	435,784	435,784	-	435,784
Issuance of debt	8,502,020	8,502,020	-	8,502,020
Transfer from General Fund	2,254,000	2,254,000	-	2,254,000
Interest on investments	51,894	51,894	-	51,894
Reallocation of remaining authorizations	725,768	751,882	(26,114)	725,768
Cultural Arts Center:				
Donations	20,000	20,000	-	20,000
Transfer from General Fund	1,880,000	1,880,000	-	1,880,000
Interest on investments	42,628	42,628	-	42,628
Reallocation of remaining authorizations	(173,974)	(139,401)	(34,573)	(173,974)
Tennis/Multi-Use Activity Center:				
Transfer from General Fund	613,000	577,500	35,500	613,000
Interest on investments	179,690	169,815	9,875	179,690
Reallocation of remaining authorizations	(246,441)	(201,066)	(45,375)	(246,441)
Gateway Entrances:				
Transfer from General Fund	62,000	62,000	-	62,000
Interest on investments	32,664	25,198	7,466	32,664
Reallocation of remaining authorizations	(47,125)	(39,659)	(7,466)	(47,125)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 5

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)
COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses) Prior Years	Actual Revenues and Other Financing Sources (Uses) Current Year	Total Actual Revenues
Minor Road Construction:				
Transfer from General Fund	$ 642,000	$ 642,000	$ -	$ 642,000
Interest on investments	52,421	52,421	-	52,421
Reallocation of remaining authorizations	(279,854)	(279,074)	(780)	(279,854)
Trails and Sidewalks:				
Transfer from General Fund	150,000	150,000	-	150,000
Interest on investments	49,393	49,393	-	49,393
Reallocation of remaining authorizations	19,296	(88,562)	107,858	19,296
Town Shop Improvements:				
Issuance of debt	1,000,000	135,000	865,000	1,000,000
Transfer from General Fund	85,000	85,000	-	85,000
Interest on investments	54,217	54,217	-	54,217
Reallocation of remaining authorizations	(28,637)	(2,843)	(25,794)	(28,637)
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	23,508	18,632	4,876	23,508
Reallocation of remaining authorizations	33,037	37,913	(4,876)	33,037

TOWN OF HERNDON, VIRGINIA

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES) COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses) Prior Years	Actual Revenues and Other Financing Sources (Uses) Current Year	Total Actual Revenues
South Elden Street Improvements:				
Federal/state grants	$ 405,105	$ 158,553	$ 246,552	$ 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	263,376	258,881	4,495	263,376
Reallocation of remaining authorizations	(298,495)	(47,448)	(251,047)	(298,495)
Triangle Street Improvements:				
Builder contributions	275,000	275,000	-	275,000
Transfer from General Fund	513,000	513,000	-	513,000
Interest on investments	117,838	105,123	12,715	117,838
Reallocation of remaining authorizations	(284,991)	(406,124)	121,133	(284,991)
East Elden Street Interim Improvements:				
Transfer from General Fund	370,000	370,000	-	370,000
Interest on investments	66,332	58,252	8,080	66,332
Reallocation of remaining authorizations	(41,718)	(33,638)	(8,080)	(41,718)
Town Depot Improvements:				
Transfer from General Fund	70,000	70,000	-	70,000
Interest on investments	54,836	40,823	14,013	54,836
Reallocation of remaining authorizations	(34,564)	(20,551)	(14,013)	(34,564)
Herndon Parkway/Van Buren St. Intersection Improvements:				
Transfer from General Fund	25,000	25,000	-	25,000
Interest on investments	15,447	11,035	4,412	15,447
Reallocation of remaining authorizations	(15,447)	(11,035)	(4,412)	(15,447)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 7

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES) COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses) Prior Years	Actual Revenues and Other Financing Sources (Uses) Current Year	Total Actual Revenues
Jefferson Street Park:				
Transfer from General Fund	$ 45,000	$ 45,000	$ -	$ 45,000
Interest on investments	2,202	2,202	-	2,202
Reallocation of remaining authorizations	(232)	(1,930)	1,698	(232)
Town Hall Rehabilitation:				
Transfer from General Fund	124,000	124,000	-	124,000
Interest on investments	46,765	32,144	14,621	46,765
Reallocation of remaining authorizations	(47,544)	(32,923)	(14,621)	(47,544)
HMC Computer Equipment Room Renovations:				
Interest on investments	8,011	4,075	3,936	8,011
Reallocation of remaining authorizations	206,870	210,586	(3,716)	206,870
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	36,794	2,453	39,247
Reallocation of remaining authorizations	(147,458)	(36,794)	(110,664)	(147,458)
Elden Street/Center Street Intersection Improvements:				
Transfer from General Fund	50,000	-	50,000	50,000
Issuance of debt	50,000	50,000	-	50,000
Interest on investments	30,757	13,110	17,647	30,757
Reallocation of remaining authorizations	(30,757)	(13,110)	(17,647)	(30,757)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 8

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES) COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

		Actual Revenues and Other Financing Sources (Uses)		
Project	Estimated Revenues	Prior Years	Current Year	Total Actual Revenues
Pearl/Nash/Oak/Wood Streets Improvements:				
Transfer from General Fund	$ 135,000	$ 135,000	$ -	$ 135,000
Issuance of debt	1,000,000	-	1,000,000	1,000,000
Interest on investments	28,434	24,238	4,196	28,434
Reallocation of remaining authorizations	(1,088,059)	(25,944)	(1,062,115)	(1,088,059)
W & OD Trail Enhancements (CMAQ grant):				
Interest on investments	37,856	35,738	2,118	37,856
Reallocation of remaining authorizations	412,144	114,262	297,882	412,144
Folly Lick/Spring Branch Regional Trail:				
Builder contributions	25,000	25,000	-	25,000
Interest on investments	2,212	2,212	-	2,212
Reallocation of remaining authorizations	(2,826)	(5,129)	2,303	(2,826)
Station Street Improvements:				
Transfer from General Fund	140,000	75,000	65,000	140,000
Issuance of debt	733,000	-	733,000	733,000
Interest on investments	39,790	18,157	21,633	39,790
Reallocation of remaining authorizations	(735,298)	24,656	(759,954)	(735,298)
New Sidewalk Construction:				
Transfer from General Fund	33,000	33,000	-	33,000
Interest on investments	37,927	15,092	22,835	37,927
Reallocation of remaining authorizations	(65,785)	64,908	(130,693)	(65,785)

TOWN OF HERNDON, VIRGINIA

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)
COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses) Prior Years	Actual Revenues and Other Financing Sources (Uses) Current Year	Total Actual Revenues
Van Buren and Elden Streets Intersection Improvements:				
Transfer from General Fund	$ 22,032	$ 22,032	$ -	$ 22,032
Interest on investments	23,264	13,089	10,175	23,264
Reallocation of remaining authorizations	32,790	44,879	(12,089)	32,790
Metro Rail/ Worldgate Area Planning:				
Transfer from General Fund	300,000	50,000	250,000	300,000
Interest on investments	5,643	5,643	-	5,643
Reallocation of remaining authorizations	(274,613)	(5,643)	(268,970)	(274,613)
Stream Bank Stabilization:				
Transfer from General Fund	30,000	30,000	-	30,000
Interest on investments	1,354	1,354	-	1,354
Reallocation of remaining authorizations	(3,054)	(4,787)	1,733	(3,054)
Park Avenue and Monroe Street Intersection:				
Transfer from General Fund	60,000	-	60,000	60,000
Issuance of debt	642,000	-	642,000	642,000
Interest on investments	38,959	12,694	26,265	38,959
Reallocation of remaining authorizations	(560,959)	105,426	(666,385)	(560,959)
Park Equipment Replacement :				
Transfer from General Fund	40,000	40,000	-	40,000
Reallocation of remaining authorizations	(11,988)	(12,786)	798	(11,988)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6
Page 10

CAPITAL PROJECTS FUND
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES) COMPARED WITH ESTIMATED REVENUES
Year Ended June 30, 2010

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses): Prior Years	Actual Revenues and Other Financing Sources (Uses): Current Year	Total Actual Revenues
Herndon Parkway Intersections Study (VDOT grant):				
Interest on investments	$ 63,197	$ 63,197	$ -	$ 63,197
Reallocation of remaining authorizations	696,803	496,803	200,000	696,803
Improvements to 397 Herndon Parkway:				
Interest on investments	4,613	-	4,613	4,613
Reallocation of remaining authorizations	21,525	-	21,525	21,525
W & OD Trail Lighting:				
Builder contributions	30,000	-	30,000	30,000
Interest on investments	5,294	-	5,294	5,294
Reallocation of remaining authorizations	(5,294)	-	(5,294)	(5,294)
Downtown Utility Relocation:				
Reallocation of remaining authorizations	800,000	-	800,000	800,000
Undesignated Fund Balance:				
Transfer from Information Systems Improvement Fund	226,568	226,568	-	226,568
Miscellaneous	83,946	12,384	71,562	83,946
Reallocation of remaining authorizations	3,914,306	2,077,440	1,836,866	3,914,306
Totals	$ 37,936,715	$ 33,385,320	$ 4,551,395	$ 37,936,715

TOWN OF HERNDON, VIRGINIA

Exhibit B-7
Page 1

CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
Year Ended June 30, 2010

		Expenditures			
	Authorization	Prior Years	Current Year	Total Expenditures	Remaining Authorizations
Folly Lick Watershed	$ 421,788	$ 382,004	$ 3,719	$ 385,723	$ 36,065
Sugarland Run Watershed	317,852	285,046	32,806	317,852	-
Horse Pen Run Watershed	40,103	4,433	4,335	8,768	31,335
Storm Drain Easement/Construction	1,883,145	1,615,045	85,572	1,700,617	182,528
Huntmar-Spring/Van Buren Street Improvements	20,381	1,631	-	1,631	18,750
Traffic Signals and Automated Control Systems	1,049,977	985,790	10,819	996,609	53,368
Streets - VDOT Contributions	183,751	139,937	-	139,937	43,814
Street Light Installations	322,714	201,682	-	201,682	121,032
Ball Field Improvements/Recreation Facilities	329,386	218,656	-	218,656	110,730
Herndon Community Center - Phase IV/ Fixtures	4,975,280	4,934,741	9,512	4,944,253	31,027
Locust Street Improvements	45,972	111	-	111	45,861
Downtown Street Improvements	1,968,929	1,010,529	82,974	1,093,503	875,426
Storm Water Management	278,347	272,907	-	272,907	5,440
Public Safety Center	11,969,466	11,969,398	68	11,969,466	-
Cultural Arts Center	1,768,654	1,768,654	-	1,768,654	-
Tennis/Multi-Use Activity Center	546,249	546,249	-	546,249	-
Gateway Entrances	47,539	5,232	-	5,232	42,307
Minor Road Construction	414,567	389,943	14,984	404,927	9,640
Trails and Sidewalks	218,689	89,293	-	89,293	129,396
Town Shop Improvements	1,110,580	174,983	843,392	1,018,375	92,205
Nash Street Improvements	11,440	6,226	-	6,226	5,214
Bus Stop Shelters	86,545	58,914	-	58,914	27,631

TOWN OF HERNDON, VIRGINIA

Exhibit B-7
Page 2

CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
Year Ended June 30, 2010

		Expenditures			
	Authorization	Prior Years	Current Year	Total Expenditures	Remaining Authorizations
South Elden Street Improvements	$ 1,323,986	$ 1,051,920	$ 246,591	$ 1,298,511	$ 25,475
Triangle Street Improvements	620,847	440,340	108,457	548,797	72,050
East Elden Street Interim Improvements	394,614	348,828	-	348,828	45,786
Town Depot Improvements	90,272	10,868	-	10,868	79,404
Herndon Parkway/Van Buren Street Intersection Improvements	25,000	-	-	-	25,000
Jefferson Street Park	46,970	45,272	1,698	46,970	-
Town Hall Rehabilitation	123,221	26,697	13,670	40,367	82,854
HMC Computer Equipment Room Renovations	214,881	192,357	220	192,577	22,304
Skate Park Facility	66,789	-	52,890	52,890	13,899
Elden Street/Center Street Intersection Improvements	100,000	-	-	-	100,000
Pearl/Nash/Oak/Wood Streets Improvements	75,375	51,999	1,701	53,700	21,675
W & OD Trail Enhancements (CMAQ grant)	450,000	18,944	-	18,944	431,056
Folly Lick/Spring Branch Regional Trail	24,386	21,472	2,914	24,386	-
Station Street Improvements	177,492	15,215	40,593	55,808	121,684
New Sidewalk Construction	5,142	5,142	-	5,142	-
Van Buren and Elden Streets Intersection Improvements	78,086	14,994	5,435	20,429	57,657
Metro Rail/Worldgate Area Planning	31,030	-	28,519	28,519	2,511
Stream Bank Stabilization	28,300	14,567	1,733	16,300	12,000
Park Avenue and Monroe Street Intersection	180,000	5,640	26,880	32,520	147,480
Park Equipment Replacement	28,012	27,214	798	28,012	-
Herndon Parkway Intersections Studies (VDOT grant)	760,000	-	-	-	760,000
Improvements to 397 Herndon Parkway	26,138	-	-	-	26,138
W & OD Trail Lighting	30,000	-	-	-	30,000
Downtown Utility Relocation	800,000	-	-	-	800,000
Undesignated Fund Balance	4,224,820	-	498,000	498,000	3,726,820
Totals	$ 37,936,715	$ 27,352,873	$ 2,118,280	$ 29,471,153	$ 8,465,562

Exhibit B-8

TOWN OF HERNDON, VIRGINIA

INFORMATION SYSTEMS IMPROVEMENT FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
Year Ended June 30, 2010

	Authorization	Expenditures: Prior Years	Expenditures: Current Year	Total Expenditures	Remaining Authorizations
Personal Computers, Printers and File Servers	$ 1,399,944	$ 1,321,742	$ 39,602	$ 1,361,344	$ 38,600
Police GIS Mapping/Crime Analysis	33,695	33,695	-	33,695	-
WAN/I-NET and Internet Presence	869,014	846,563	2,551	849,114	19,900
Citizens Relationship Software	256,914	182,367	147	182,514	74,400
Financial/ Human Resources Software Replacement	40,000	-	-	-	40,000
Disaster Recovery/Business Continuity Plans	51,309	-	51,309	51,309	-
Undesignated Fund Balance	76,329	-	-	-	76,329
Totals	$ 2,727,205	$ 2,384,367	$ 93,609	$ 2,477,976	$ 249,229

TOWN OF HERNDON, VIRGINIA

Exhibit B-9

PROPRIETARY FUND TYPE
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
WATER AND SEWER FUND
Year Ended June 30, 2010

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Sale of water	$ 2,971,200	$ 2,528,730	$ (442,470)
Sewer service charges	2,535,400	2,427,631	(107,769)
Late payment charges	64,500	55,005	(9,495)
Sale of commodities	21,000	11,448	(9,552)
Rents and leases	337,000	352,606	15,606
Miscellaneous	19,500	18,142	(1,358)
Total operating revenues	5,948,600	5,393,562	(555,038)
Operating expenses:			
Finance	221,231	207,346	(13,885)
Water main maintenance	2,625,310	2,161,769	(463,541)
Sewer service charge	3,305,604	3,082,128	(223,476)
Contractual services	403,040	403,040	-
Nondepartmental:			
Depreciation and amortization	-	709,770	709,770
Miscellaneous	58,170	51,907	(6,263)
Total operating expenses	6,613,355	6,615,960	2,605
Operating loss	(664,755)	(1,222,398)	(557,643)
Nonoperating revenues:			
Investment earnings	560,000	735,594	175,594
Availability fees	830,500	644,817	(185,683)
Total nonoperating revenues	1,390,500	1,380,411	(10,089)
Income before capital contributions	725,745	158,013	(567,732)
Capital contributions	-	78,291	78,291
Change in net assets	$ 725,745	236,304	$ (489,441)
Total net assets, July 1		23,304,469	
Total net assets, June 30		$ 23,540,773	

TOWN OF HERNDON, VIRGINIA

Exhibit B-10

PROPRIETARY FUND TYPE
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
GOLF COURSE FUND
Year Ended June 30, 2010

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Rents and leases	$ 38,550	$ 37,505	$ (1,045)
Greens fees	982,465	992,500	10,035
Golf cart revenue	259,700	270,014	10,314
Golf pro shop sales	75,800	64,670	(11,130)
Driving range fees	63,000	69,809	6,809
Miscellaneous	19,974	22,637	2,663
Total operating revenues	1,439,489	1,457,135	17,646
Operating expenses:			
Golf course operations	729,305	717,788	(11,517)
Golf course club house	563,095	539,825	(23,270)
Nondepartmental:			
Depreciation and amortization	-	207,575	207,575
Miscellaneous	53,130	49,364	(3,766)
Total operating expenses	1,345,530	1,514,552	169,022
Operating income (loss)	93,959	(57,417)	(151,376)
Nonoperating revenues (expenses):			
Investment earnings	10,000	55,405	45,405
Interest expense	(66,353)	(47,235)	19,118
Total nonoperating revenues (expenses), net	(56,353)	8,170	64,523
Change in net assets	$ 37,606	(49,247)	$ (86,853)
Total net assets, July 1		3,790,300	
Total net assets, June 30		$ 3,741,053	

TOWN OF HERNDON, VIRGINIA

Exhibit B-11

PROPRIETARY FUND TYPE
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
CHESTNUT GROVE CEMETERY FUND
Year Ended June 30, 2010

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Cemetery sites	$ 360,000	$ 328,813	$ (31,187)
Interment services	143,750	159,330	15,580
Merchandise sales	85,000	80,640	(4,360)
Miscellaneous	5,600	20,440	14,840
Total operating revenues	594,350	589,223	(5,127)
Operating expenses:			
Cemetery operations	480,190	448,406	(31,784)
Non-departmental:			
Depreciation and amortization	-	139,583	139,583
Miscellaneous	18,320	17,717	(603)
Total operating expenses	498,510	605,706	107,196
Operating income (loss)	95,840	(16,483)	(112,323)
Nonoperating revenues (expenses):			
Investment earnings	12,000	27,299	15,299
Interest expense	(110,025)	(109,221)	804
Total nonoperating expenses, net	(98,025)	(81,922)	16,103
Loss before transfers	(2,185)	(98,405)	(96,220)
Transfers in	70,000	61,349	(8,651)
Transfers out	(36,000)	(32,881)	3,119
Change in net assets	$ 31,815	(69,937)	$ (101,752)
Total net assets, July 1		1,155,593	
Total net assets, June 30		$ 1,085,656	

TOWN OF HERNDON, VIRGINIA

Exhibit B-12

PROPRIETARY FUND TYPE
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
DOWNTOWN PARKING ENTERPRISE FUND
Year Ended June 30, 2010

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Miscellaneous	$ 12,090	$ 40,513	$ 28,423
Total operating revenues	12,090	40,513	28,423
Operating expenses:			
Downtown parking	15,150	14,281	(869)
Depreciation and amortization	-	30,533	30,533
Total operating expenses	15,150	44,814	29,664
Operating loss	(3,060)	(4,301)	(1,241)
Nonoperating revenues:			
Investment earnings	8,250	16,802	8,552
Total nonoperating revenues	8,250	16,802	8,552
Change in net assets	$ 5,190	12,501	$ 7,311
Total net assets, July 1		1,534,463	
Total net assets, June 30		$ 1,546,964	

TOWN OF HERNDON, VIRGINIA

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STATISTICAL SECTION

TOWN OF HERNDON, VIRGINIA

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STATISTICAL SECTION
CONTENTS

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.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The town implemented GASB 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.

TOWN OF HERNDON, VIRGINIA

Table 1

NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	$ 19,789,543	$ 21,919,935	$ 27,816,034	$ 31,719,000	$ 72,076,117	$ 72,923,937	$ 72,604,103	$ 72,888,823
Restricted	-	1,169,431	1,193,044	1,215,485	1,244,028	1,268,979	1,298,335	1,331,216
Unrestricted	18,602,317	19,823,629	12,107,024	12,131,044	11,575,112	11,780,466	11,187,939	11,136,298
Total governmental activities net assets	$ 38,391,860	$ 42,912,995	$ 41,116,102	$ 45,065,529	$ 84,895,257	$ 85,973,382	$ 85,090,377	$ 85,356,337
Business-type activities:								
Invested in capital assets, net of related debt	$ 12,891,883	$ 14,423,535	$ 15,086,244	$ 15,722,161	$ 16,466,974	$ 16,308,652	$ 15,947,667	$ 14,723,720
Unrestricted	18,071,402	17,562,414	16,955,114	15,966,544	14,919,283	14,205,592	13,837,158	15,190,726
Total business-type activities net assets	$ 30,963,285	$ 31,985,949	$ 32,041,358	$ 31,688,705	$ 31,386,257	$ 30,514,244	$ 29,784,825	$ 29,914,446
Primary government:								
Invested in capital assets, net of related debt	$ 32,681,426	$ 36,343,470	$ 42,902,278	$ 47,441,161	$ 88,543,091	$ 89,232,589	$ 88,551,770	$ 87,612,543
Restricted	-	1,169,431	1,193,044	1,215,485	1,244,028	1,268,979	1,298,335	1,331,216
Unrestricted	36,673,719	37,386,043	29,062,138	28,097,588	26,494,395	25,986,058	25,025,097	26,327,024
Total primary government net assets	$ 69,355,145	$ 74,898,944	$ 73,157,460	$ 76,754,234	$ 116,281,514	$ 116,487,626	$ 114,875,202	$ 115,270,783

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) Beginning in fiscal year 2007, all infrastructure capital assets acquired before 2003 were recorded.

TOWN OF HERNDON, VIRGINIA

Table 2
Page 1

CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental activities:								
Legislative	$ 304,842	$ 334,582	$ 588,708	$ 599,013	$ 664,636	$ 685,284	$ 654,002	$ 633,438
Administration	2,660,288	2,742,074	2,666,678	2,991,781	2,911,464	2,945,108	3,226,320	2,164,235
Town attorney	304,244	326,181	352,556	415,156	393,808	461,394	519,437	532,305
Parks and recreation	3,234,276	3,382,361	3,467,051	3,665,259	4,350,958	4,462,531	4,658,971	4,310,670
Finance	997,701	1,030,116	1,087,203	1,165,622	1,191,893	1,307,331	1,348,980	1,288,960
Community development	1,141,547	1,112,704	1,341,611	1,539,821	1,735,596	1,652,196	1,950,546	2,353,844
Police	6,102,460	6,576,514	6,868,424	7,887,728	8,460,046	8,759,234	9,257,315	9,009,339
Public works	6,347,374	6,022,510	7,988,506	7,606,343	10,363,763	11,278,365	11,229,645	10,817,176
Grants	17,301	95,391	79,212	-	-	-	-	-
Interest	564,173	698,104	826,972	904,816	940,449	875,509	813,800	765,523
Total governmental activities	21,674,206	22,320,537	25,266,921	26,775,539	31,012,613	32,426,952	33,659,016	31,875,490
Business-type activities:								
Water and sewer	5,446,337	5,340,723	5,873,518	6,135,079	6,756,592	6,692,754	6,836,413	6,615,960
Golf course	1,212,946	1,352,730	1,332,748	1,464,539	1,398,081	1,564,081	1,530,464	1,561,787
Chestnut Grove cemetery	314,938	343,509	382,021	448,989	442,171	652,781	704,690	714,927
Downtown parking	35,867	38,571	40,750	129,847	79,465	278,725	65,844	44,814
Total business-type activities	7,010,088	7,075,533	7,629,037	8,178,454	8,676,309	9,188,341	9,137,411	8,937,488
Total government expenses	28,684,294	29,396,070	32,895,958	34,953,993	39,688,922	41,615,293	42,796,427	40,812,978
Program revenue:								
Governmental activities:								
Charges for services:								
Administration	21,989	30,518	40,281	33,874	36,634	46,447	20,650	12,827
Parks and recreation	1,944,943	1,938,317	1,991,640	2,019,553	2,198,645	2,394,257	2,551,346	2,720,621
Finance	293,440	293,700	302,510	366,100	382,570	401,700	421,790	442,880
Police	502,942	742,418	461,538	475,407	555,217	509,890	579,682	544,060
Public works	538,366	475,311	568,194	470,699	546,176	398,234	466,595	495,331
Operating grants and contributions:								
Legislative	21,640	3,227	1,906	-	-	-	-	-
Administration	133,408	136,774	144,634	197,563	174,757	177,155	195,616	112,141
Community development	750	2,500	-	-	638	451	-	130,958
Police	672,372	815,365	851,697	1,084,006	1,089,540	916,457	1,045,779	954,847
Public works	603,569	494,368	1,193,149	1,068,463	940,045	1,896,712	739,287	1,097,785
Capital grants and contributions:								
Parks and recreation	36,500	-	-	-	-	-	-	-
Public works	582,819	3,366,370	1,645,937	3,381,970	11,715,486	1,013,922	1,164,938	1,645,234
Total governmental activities program revenue	5,352,738	8,298,868	7,201,486	9,097,635	17,639,708	7,755,225	7,185,683	8,156,684

TOWN OF HERNDON, VIRGINIA

Table 2

Page 2

CHANGES IN NET ASSETS

LAST EIGHT FISCAL YEARS (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Program revenues (Continued):								
Business-type activities:								
Charges for services:								
Water and sewer	$ 4,067,454	$ 3,983,922	$ 3,956,967	$ 4,301,639	$ 4,418,419	$ 4,509,547	$ 4,378,611	$ 5,022,814
Golf course	1,227,548	1,381,100	1,289,877	1,236,010	1,395,824	1,501,835	1,469,522	1,396,993
Chestnut Grove cemetery	225,950	245,340	326,241	418,563	507,959	406,729	536,054	568,783
Operating grants and contributions:								
Water and sewer	719,784	1,533,682	845,013	719,489	449,735	523,025	519,711	644,817
Downtown parking	496,942	-	-	-	-	-	-	-
Capital grants and contributions:								
Water and sewer	225,557	465,844	380,857	553,422	308,341	41,500	75,420	78,291
Downtown parking	-	113,889	-	-	-	-	-	-
Total business-type activities program revenues	6,963,235	7,723,777	6,798,955	7,229,123	7,080,278	6,982,636	6,979,318	7,711,698
Total government program revenues	12,315,973	16,022,645	14,000,441	16,326,758	24,719,986	14,737,861	14,165,001	15,868,382
Net (expense) revenue:								
Governmental activities	(16,321,468)	(14,021,669)	(18,065,435)	(17,677,904)	(13,372,905)	(24,671,727)	(26,473,333)	(23,718,806)
Business-type activities	(46,853)	648,244	(830,082)	(949,331)	(1,596,031)	(2,205,705)	(2,158,093)	(1,225,790)
Total government net expense	(16,368,321)	(13,373,425)	(18,895,517)	(18,627,235)	(14,968,936)	(26,877,432)	(28,631,426)	(24,944,596)
General revenues and other changes in net assets:								
Governmental activities:								
Taxes:								
General property	7,253,312	7,445,745	7,749,706	8,666,348	10,457,592	11,395,778	11,305,328	10,417,959
Business license	2,604,530	2,652,045	3,045,781	2,707,012	3,179,323	3,260,125	3,458,908	3,395,732
Transient occupancy	1,616,609	1,846,065	2,127,742	2,414,308	2,465,479	2,678,892	2,493,698	2,202,096
Local sales	1,463,396	1,580,307	1,647,228	1,580,278	1,639,448	1,661,725	1,511,792	1,413,606
Other local taxes	2,500,249	3,686,015	4,424,916	5,101,866	5,049,744	5,112,808	4,888,870	5,100,117
Revenues not restricted to specific programs	37,532	38,652	77,343	70,136	77,624	84,118	89,937	92,844
Intergovernmental, non-categorical aid	109,578	162,315	117,177	120,770	135,559	63,070	42,626	29,026
Use of money and property	1,162,054	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066	1,216,859
Miscellaneous	74,859	98,297	72,595	84,178	11,828	190,623	439,355	144,995
Gain on sale of capital assets	-	840,518	1,530	1,900	19,573	52,309	-	-
Transfers	(548,544)	(33,573)	(26,526)	13,960	(63,158)	(82,139)	(46,252)	(28,468)
Total governmental activities	16,273,575	18,542,804	19,919,822	21,627,331	24,375,984	25,749,852	25,590,328	23,984,766

TOWN OF HERNDON, VIRGINIA

CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General revenues and other changes in net assets: (Continued)								
Business-type activities:								
Use of money and property	$ 1,287,919	$ 50,658	$ 549,990	$ 286,132	$ 966,969	$ 969,476	$ 1,014,947	$ 835,100
Miscellaneous	256,217	290,189	308,975	324,506	263,456	282,077	367,475	491,843
Transfers	548,544	33,573	26,526	(13,960)	63,158	82,139	46,252	28,468
Total business-type activities	2,092,680	374,420	885,491	596,678	1,293,583	1,333,692	1,428,674	1,355,411
Total primary government	18,366,255	18,917,224	20,805,313	22,224,009	25,669,567	27,083,544	27,019,002	25,340,177
Changes in net assets:								
Governmental activities	(47,893)	4,521,135	1,854,387	3,949,427	11,003,079	1,078,125	(883,005)	265,960
Business-type activities	2,045,827	1,022,664	55,409	(352,653)	(302,448)	(872,013)	(729,419)	129,621
Total primary government	$ 1,997,934	$ 5,543,799	$ 1,909,796	$ 3,596,774	$ 10,700,631	$ 206,112	$ (1,612,424)	$ 395,581

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) 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 EIGHT FISCAL YEARS (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,							
Function / Program	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Legislative	$ 21,640	$ 3,227	$ 1,906	$ -	$ -	$ -	$ -	$ -
Administration	155,397	167,292	184,915	231,437	211,391	223,602	216,266	124,968
Parks and recreation	1,981,443	1,938,317	1,991,640	2,019,553	2,198,645	2,394,257	2,551,346	2,720,621
Finance	293,440	293,700	302,510	366,100	382,570	401,700	421,790	442,880
Community development	750	2,500	-	-	638	451	-	130,958
Police	1,175,314	1,557,783	1,313,235	1,559,413	1,644,757	1,426,347	1,625,461	1,498,907
Public works	1,724,754	4,336,049	3,407,280	4,921,132	13,201,707	3,308,868	2,370,820	3,238,350
Total governmental activities	5,352,738	8,298,868	7,201,486	9,097,635	17,639,708	7,755,225	7,185,683	8,156,684
Business-type activities:								
Water and sewer	5,012,795	5,983,448	5,182,837	5,574,550	5,176,495	5,074,072	4,973,742	5,745,922
Golf course	1,227,548	1,381,100	1,289,877	1,236,010	1,395,824	1,501,835	1,469,522	1,396,993
Chestnut Grove cemetery	225,950	245,340	326,241	418,563	507,959	406,729	536,054	568,783
Downtown parking	496,942	113,889	-	-	-	-	-	-
Total business-type activities	6,963,235	7,723,777	6,798,955	7,229,123	7,080,278	6,982,636	6,979,318	7,711,698
Total government	$ 12,315,973	$ 16,022,645	$ 14,000,441	$ 16,326,758	$ 24,719,986	$ 14,737,861	$ 14,165,001	$ 15,868,382

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) In 2004, 2005, 2006, 2007, 2008, 2009 and 2010, the public works department received donated assets of $2,877,947, $895,362, $2,854,521, $10,904,769, $215,931, $169,792 and $738,713, respectively.

TOWN OF HERNDON, VIRGINIA

Table 4

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

	Fiscal Year June 30, 2001	2002	2003	2004	2005
General Fund:					
Reserved	$ 1,409,838	$ 1,807,801	$ 1,365,946	$ 1,481,659	$ 1,302,446
Unreserved	8,280,749	8,586,426	6,840,530	6,613,477	6,311,877
Total General Fund	$ 9,690,587	$ 10,394,227	$ 8,206,476	$ 8,095,136	$ 7,614,323
All Other Governmental Funds:					
Reserved	$ 1,096,054	$ 1,127,560	$ 1,152,711	$ 1,169,431	$ 1,193,044
Unreserved, reported in:					
Capital projects funds	10,469,888	9,373,340	7,290,122	9,339,216	6,102,071
Total all other governmental funds	$ 11,565,942	$ 10,500,900	$ 8,442,833	$ 10,508,647	$ 7,295,115

	Fiscal Year June 30, 2006	2007	2008	2009	2010
General Fund:					
Reserved	$ 810,834	$ 777,549	$ 668,306	$ 696,928	$ 521,699
Unreserved	6,575,754	7,019,739	7,142,499	7,120,027	7,160,321
Total General Fund	$ 7,386,588	$ 7,797,288	$ 7,810,805	$ 7,816,955	$ 7,682,020
All Other Governmental Funds:					
Reserved	$ 1,215,485	$ 1,244,028	$ 1,268,979	$ 1,298,335	$ 1,331,216
Unreserved, reported in:					
Capital projects funds	6,776,899	5,560,103	6,132,528	6,283,685	8,714,791
Total all other governmental funds	$ 7,992,384	$ 6,804,131	$ 7,401,507	$ 7,582,020	$ 10,046,007

Note:

(1) In fiscal year 2003, the Chestnut Grove Cemetery Perpetual Care Fund was reclassified from a fiduciary fund type to a special revenue fund type. This reclassification was due to the adoption of GASB 34.

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,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
General property taxes	$ 6,206,774	$ 7,167,596	$ 7,387,014	$ 7,125,043	$ 7,775,583	$ 8,702,956	$ 10,441,826	$ 11,415,226	$ 11,315,372	$ 10,397,197
Other local taxes	10,117,280	8,779,401	8,189,445	9,771,887	11,257,001	11,803,464	12,333,994	12,713,550	12,353,268	12,111,551
Permits, privilege fees and regulatory licenses	542,035	378,286	474,108	386,609	479,470	388,028	442,686	285,090	361,280	398,453
Fines and forfeitures	359,075	373,668	488,167	492,125	449,833	471,902	571,830	571,998	593,631	546,486
Use of money and property	1,553,847	1,031,102	1,162,054	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066	1,216,859
Charges for services	2,148,392	2,262,092	2,360,862	2,382,639	2,493,173	2,563,109	2,769,747	2,999,216	3,158,288	3,344,974
Miscellaneous	127,737	159,303	74,859	95,030	75,862	84,178	11,828	190,623	318,482	122,619
Intergovernmental	2,346,017	2,003,265	2,160,636	2,102,972	3,300,434	2,998,623	3,151,292	3,751,795	3,017,100	3,036,075
Total revenues	23,401,157	22,154,713	22,297,145	22,582,723	26,513,686	27,878,835	31,126,175	33,260,041	32,523,487	31,174,214
Expenditures:										
Legislative	266,580	271,060	299,493	329,467	581,659	605,038	659,583	660,310	651,245	621,490
Administration	1,726,440	1,914,165	2,108,961	2,230,922	2,181,253	2,373,380	2,463,940	2,621,611	2,443,752	1,794,756
Town attorney	268,611	294,603	301,253	321,597	350,048	415,617	390,529	455,322	522,946	533,800
Parks and recreation	2,709,061	2,862,638	2,923,457	3,075,665	3,141,800	3,353,890	3,628,248	3,922,569	3,896,866	3,588,867
Finance	765,928	817,737	954,516	962,466	1,022,423	1,137,903	1,177,062	1,263,648	1,291,102	1,237,706
Community development	852,636	930,679	1,059,962	1,083,711	1,269,554	1,479,769	1,679,530	1,647,157	1,853,933	2,258,153
Police	5,185,408	5,426,451	6,006,019	6,255,393	6,588,415	7,209,795	7,787,327	8,426,430	8,662,952	8,605,850
Public works	5,893,486	6,020,388	6,396,481	6,358,797	7,139,428	7,452,737	8,132,036	8,281,419	9,049,695	9,071,074
Grants	14,522	9,119	17,301	95,391	79,212	241,986	213,168	70,741	169,494	112,375
Capital outlay	1,347,714	2,008,798	4,098,657	8,519,502	5,493,994	6,078,124	3,630,995	2,452,376	1,354,695	1,713,889
Debt service:										
Principal	1,130,417	1,219,030	1,454,515	1,146,425	1,481,312	1,676,313	1,649,242	1,936,694	1,714,623	1,804,517
Interest and fiscal charges	698,325	766,662	567,388	666,283	853,937	902,549	969,521	881,041	800,142	808,155
Total expenditures	20,859,128	22,541,330	26,188,003	31,045,619	30,183,035	32,927,101	32,381,181	32,619,318	32,411,445	32,150,632
Excess of revenues over (under) expenditures	2,542,029	(386,617)	(3,890,858)	(8,462,896)	(3,669,349)	(5,048,266)	(1,255,006)	640,723	112,042	(976,418)
Other financing sources (uses):										
Transfers in	3,224,149	2,614,506	4,930,651	2,107,506	3,598,613	1,216,293	1,508,043	1,424,483	551,856	1,255,981
Transfers out	(3,242,462)	(2,633,290)	(5,479,195)	(2,141,079)	(3,625,139)	(1,202,333)	(1,571,201)	(1,506,622)	(598,108)	(1,284,449)
Issuance of debt	2,852,991	-	-	8,500,000	-	5,490,000	500,000	-	-	3,240,000
Proceeds of refunding bonds	-	5,897,824	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(5,853,825)	-	-	-	-	-	-	-	-
Premium (discount) on issuance debt	-	-	-	(70,800)	-	(4,368)	21,038	-	-	71,562
Proceeds from sale of property	-	-	-	2,021,743	1,530	18,208	19,573	52,309	120,873	22,376
Total other financing sources (uses), net	2,834,678	25,215	(548,544)	10,417,370	(24,996)	5,517,800	477,453	(29,830)	74,621	3,305,470
Net changes in fund balances	$ 5,376,707	$ (361,402)	$ (4,439,402)	$ 1,954,474	$ (3,694,345)	$ 469,534	$ (777,553)	$ 610,893	$ 186,663	$ 2,329,052

Debt service as a percentage of noncapital expenditures:										
Total debt service	$ 1,828,742	$ 1,985,692	$ 2,021,903	$ 1,812,708	$ 2,335,249	$ 2,578,862	$ 2,618,763	$ 2,817,735	$ 2,514,765	$ 2,612,672
Total expenditures	$ 20,859,128	$ 22,541,330	$ 26,188,003	$ 31,045,619	$ 30,183,035	$ 32,927,101	$ 32,381,181	$ 32,619,318	$ 32,411,445	$ 32,150,632
Less: capital outlay	(1,450,504)	(1,596,633)	(4,712,916)	(9,233,499)	(5,241,256)	(6,484,548)	(2,909,600)	(1,721,592)	(1,236,989)	(2,115,568)
Noncapital expenditures	$ 19,408,624	$ 20,944,697	$ 21,475,087	$ 21,812,120	$ 24,941,779	$ 26,442,553	$ 29,471,581	$ 30,897,726	$ 31,174,456	$ 30,035,064
Debt service as a percentage of noncapital expenditures	9.42%	9.48%	9.42%	8.31%	9.36%	9.75%	8.89%	9.12%	8.07%	8.70%

Notes:

(1) For the years 2001 and 2002, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the new reporting model. For fiscal years 2003 through 2010, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

(2) Prior to the adoption of GASB Statement No. 34, the town did not capitalize additions to or major repairs of infrastructure assets. Therefore, for the fiscal years 2001-2002, additions to infrastructure were not subtracted from total expenditures to calculate the debt service as a percentage of noncapital expenditures.

TOWN OF HERNDON, VIRGINIA

Table 6

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

Fiscal Year June 30,	General Property Including Interest and Penalty (1)	Business License	Transient Occupancy (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
2001	$ 6,206,774	$ 3,818,120	$ 2,150,924	$ 1,571,579	$ -	$ 220,204	$ 320,073	$ 1,198,714	$ -	$ -	$837,666	$ 16,324,054
2002	7,167,596	3,127,129	1,615,357	1,477,586	-	208,430	327,662	1,282,735	-	-	740,502	15,946,997
2003	7,387,014	2,604,530	1,616,609	1,463,396	-	190,656	310,585	1,437,118	-	-	566,551	15,576,459
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	847,892	747,711	22,775,820
2008	11,415,226	3,260,125	2,678,892	1,661,725	1,167,976	322,660	271,605	877,394	-	1,928,078	545,095	24,128,776
2009	11,315,372	3,458,908	2,493,698	1,511,792	1,103,744	307,047	285,356	878,034	-	1,796,554	518,135	23,668,640
2010	10,397,197	3,395,732	2,202,096	1,413,606	1,086,649	293,592	290,313	899,685	-	1,853,246	676,632	22,508,748
Change 2001-2010	67.51%	-11.06%	2.38%	-10.05%	100.00%	33.33%	-9.30%	-24.95%	0.00%	100.00%	-19.22%	37.89%

Source: Town records.

Notes:

(1) Town's real property assessments have increased 107 percent from 2001 to 2010. However, the town's real estate tax rate decreased over the past ten years from $0.32 per $100 of assessed value (AV) to $0.26 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.

(4) Cigarette tax rate was increased from $0.20 per pack to $0.35 per pack effective for fiscal years 2004 and 2005. Effective fiscal year 2006, the rate was increased again to $0.50 per pack.

(5) Increase in consumer utility tax collections 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) A new State 5 percent communications sales and use tax became effective January 1, 2007. This new tax replaces 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.

(8) Includes right of way use fees, bank stock taxes and cable 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
2001	$ 820,819,935	$ 988,018,190	$118,372,380	$ 81,920,195	$ 2,009,130,700	$1,927,210,505	10.99%	$ 0.32	$1,927,210,505	100.00%
2002	944,848,440	1,145,643,435	162,376,543	83,084,390	2,335,952,808	2,252,868,418	16.90%	0.32	2,252,868,418	100.00%
2003	1,127,008,710	1,171,150,920	153,766,905	89,287,195	2,541,213,730	2,451,926,535	8.84%	0.30	2,451,926,535	100.00%
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%	0.28	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%	0.28	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%	0.25	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%	0.24	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%	0.24	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)%	0.24	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)%	0.26	4,002,122,371	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 2001 through 2009 correspond to rapid increases in residential and commercial values, coupled with extensive residential and commercial building construction, beginning in 1999.

(2) Declines in assessments noted for 2010, especially in the residential sector, reflect the recent downward reassessment trend in the metropolitan 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 Real Property	Tax Rates - Town Personal Property	Tax Rates - County Real Property	Tax Rates - County Personal Property	Tax Rates - Combined Real Property	Tax Rates - Combined Personal Property
2001	$ 0.32	$ -	$ 1.23	$ 4.57	$ 1.55	$ 4.57
2002	0.32	-	1.23	4.57	1.55	4.57
2003	0.30	-	1.21	4.57	1.51	4.57
2004	0.28	-	1.16	4.57	1.44	4.57
2005	0.28	-	1.13	4.57	1.41	4.57
2006	0.25	-	1.00	4.57	1.25	4.57
2007	0.24	-	0.89	4.57	1.13	4.57
2008	0.24	-	0.89	4.57	1.13	4.57
2009	0.24	-	0.92	4.57	1.16	4.57
2010	0.26	-	1.09	4.57	1.35	4.57

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)

	2010			2001		
Taxpayer	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	$ 113,314,110	1	2.83 %	$ -	-	-
Inland American Herndon Worldgate	98,414,490	2	2.46	-	-	-
New Dominion	88,045,660	3	2.20	-	-	-
Washington Real Estate Investment	70,541,220	4	1.76	-	-	-
Worldgate Center Owner LLC	69,171,950	5	1.73	-	-	-
MIVPO LLC	67,250,700	6	1.68	-	-	-
RREEFAmerica Reit II	65,370,460	7	1.63	-	-	-
HMH Properties Inc	59,845,360	8	1.50	-	-	-
First Herndon Associates	59,243,480	9	1.48	-	-	-
EQR-Herndon LLC	53,422,750	10	1.33	-	-	-
Monument Once LLC	-	-	-	60,423,115	1	3.14 %
WGP Associates LLC	-	-	-	57,460,555	2	2.98
Boston Properties	-	-	-	55,728,015	3	2.89
Fannie Mae	-	-	-	52,424,020	4	2.72
CB Monument II, Inc.	-	-	-	41,878,710	5	2.17
Caleast Industrial	-	-	-	41,031,420	6	2.13
Worldgate Properties LLC	-	-	-	40,778,070	7	2.12
BF Real Estate US I LP	-	-	-	35,085,860	8	1.82
HMH Properties Inc	-	-	-	34,456,495	9	1.79
Northwest Federal Credit Union	-	-	-	31,571,485	10	1.64
Total	$ 744,620,180		18.61 %	$ 450,837,745		23.39 %

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
2001	$ 6,168,226	$ 6,055,420	98.17%	$ 112,806	$ 6,168,226	100.00%
2002	7,209,179	7,016,861	97.33%	192,318	7,209,179	100.00%
2003	7,355,780	7,281,586	98.99%	74,194	7,355,780	100.00%
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%	67,704	10,466,153	100.00%
2008	11,033,590	10,982,504	99.54%	50,081	11,032,585	99.99%
2009	11,001,119	10,961,629	99.64%	34,273	10,995,902	99.95%
2010	10,309,077	9,970,734	96.72%	N/A	9,970,734	96.72%

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)

	Governmental Activities		Business-Type Activities					General Bonded Debt Outstanding		General Bonded Debt Outstanding
Fiscal Year June 30,	General Obligation Bonds	Capital Leases and Notes	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2001	$ 14,526,850	$ 550,190	$ 2,493,151	$ -	$ 17,570,191	1.61%	$ 807	$ 14,526,850	0.75%	$ 667
2002	13,642,617	365,393	2,207,384	-	16,215,394	1.42%	740	13,642,617	0.61%	622
2003	12,514,596	38,899	1,915,404	-	14,468,899	1.22%	642	12,514,596	0.51%	555
2004	19,907,070	-	1,842,929	-	21,749,999	1.78%	964	19,907,070	0.79%	882
2005	18,425,758	-	1,764,242	-	20,190,000	1.52%	887	18,425,758	0.67%	809
2006	21,714,445	525,000	1,685,555	-	23,925,000	1.68%	1,051	21,714,445	0.62%	941
2007	20,565,203	525,000	3,364,797	-	24,455,000	1.66%	1,053	20,565,203	0.47%	886
2008	18,793,509	360,000	3,221,491	-	22,375,000	1.41%	958	18,793,509	0.40%	804
2009	17,243,886	195,000	3,076,114	-	20,515,000	1.23%	874	17,243,886	0.36%	735
2010	18,009,369	865,000	3,420,631	-	22,295,000	1.32%	949	18,009,369	0.45%	766

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, 2010
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Fairfax County, Virginia	$ 1,997,045,000	1.8635%	$ 37,214,871
Town Direct Debt			18,874,369
Total direct and overlapping debt			$ 56,089,240

Sources:

(1) Town of Herndon Department of Finance and County of Fairfax Finance Department.

(2) Town of Herndon percentage of overlapping debt based on Real Estate assessed values of each respective entity.

TOWN OF HERNDON, VIRGINIA

Table 13

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$180,883,813	$ 209,049,188	$229,815,963	$237,539,129	$262,588,503	$334,200,016	$421,921,645	$459,732,936	$458,379,960	$385,386,083
Total net debt applicable to limit	14,526,850	13,642,618	12,514,596	19,907,070	18,425,758	22,239,445	21,090,203	19,153,509	17,438,886	18,874,369
Available legal debt margin	$166,356,963	$ 195,406,570	$217,301,367	$217,632,059	$244,162,745	$311,960,571	$400,831,442	$440,579,427	$440,941,074	$366,511,714
Total net debt applicable to the limit as a percentage of debt limit	8.03%	6.53%	5.45%	8.38%	7.02%	6.65%	5.00%	4.17%	3.80%	4.90%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value of real estate	$3,853,860,827
Debt limit (10% of assessed value)	$ 385,386,083
Debt applicable to limit:	
Net direct debt outstanding	18,874,369
Available legal debt margin	$ 366,511,714

Summary of Outstanding Debt:

2001 public improvement bonds	$ 1,895,254
2002 refunding bonds	2,050,000
1993 refunding bonds	450,000
2003 general obligation bonds	4,700,000
2003 taxable general obligation bonds	1,920,000
2005 general obligation bonds	4,170,000
2006 general obligation bonds	449,115
2010 general obligation bonds	2,375,000
2009 fifteen-year note	865,000
	$ 18,874,369

Notes:

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

(2) Under the Constitution of Virginia, the town may not issue bonds in excess of 10% of assessed valuation.
Self-supporting debt is not included in this calculation.

TOWN OF HERNDON, VIRGINIA

Table 14

BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Golf Course Fund

Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2001	$ 1,536,740	$ 874,632	$ 662,108	$ 203,850	$ 22,548	$ 226,398	2.92
2002	1,654,976	952,850	702,126	262,282	71,740	334,022	2.10
2003	1,395,379	931,056	464,323	266,221	58,770	324,991	1.43
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

Chestnut Grove Cemetery Fund

Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2001	$ 281,064	$ 226,980	$ 54,084	$ -	$ 11,051	$ 11,051	4.89
2002	269,526	214,612	54,914	23,485	41,200	64,685	0.85
2003	332,862	238,965	93,897	25,758	31,189	56,947	1.65
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

Notes:

(1) Utility service charges includes all revenues of the fund except gains on sale of capital assets.

(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.

TOWN OF HERNDON, VIRGINIA

Table 15

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year June 30,	Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rates (%)
	(1)	(2)	(2)	(3)	(4)
2001	21,784	$ 1,089,962	$ 50,035	154,523	1.6
2002	21,925	1,138,587	51,931	158,331	2.5
2003	22,542	1,183,320	52,494	161,385	3.4
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

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	2010 Employment Range	2001 Employment Range
Air Line Pilots Association	249-499	-
ITT Industries, Inc.	249-499	-
Northwest Credit Union	249-499	-
Town of Herndon	249-499	-
Worldgate Sport & Health Club	249-499	-
Airbus NA Customer Service, Inc	100-250	-
Autometric, Inc Boeing	100-250	-
Clear Wireless Broadband LLC	100-250	-
Drs Technical Service Inc	100-250	-
REI Systems	100-250	-
Airbus Industries of N. America	-	Over 200
Boeing Satellite Systems	-	Over 200
Computer Associates	-	Over 200
Global One	-	Over 200
Logicon	-	Over 200
Oracle Corporation	-	Over 200
PSINet	-	Over 200
Salle 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

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TOWN OF HERNDON, VIRGINIA

Table 17

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

	Fiscal Year June 30,									
Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Legislative	3.3	3.2	3.6	3.4	3.6	3.6	3.8	4.1	4.0	4.0
Administration:										
Public information (1)	N/A	N/A	N/A	0.9	1.0	0.8	1.7	1.5	1.5	1.5
Town manager	2.1	2.0	2.0	2.0	2.0	2.0	1.7	2.0	2.0	2.0
Human resources	3.8	4.0	3.5	3.4	3.3	4.3	3.5	3.4	3.3	3.5
Information services	3.9	5.0	6.0	6.0	5.9	6.2	5.9	6.1	6.0	5.7
Neighborhood resources (2)	3.8	3.5	4.1	4.2	4.9	5.3	3.9	4.7	3.5	-
Town attorney	2.4	2.5	2.4	2.7	2.8	2.8	2.9	2.8	3.0	2.6
Parks and recreation:										
Administration	6.2	5.2	4.4	4.6	5.5	5.5	4.7	5.5	4.6	3.9
Recreation programs	14.5	15.2	16.4	16.2	15.8	15.9	19.5	20.1	19.3	17.7
Community center operations	11.9	13.0	13.4	13.7	12.9	11.9	12.3	15.9	17.0	15.4
Aquatics programs and operations	12.8	12.9	12.9	13.5	13.1	13.5	11.6	12.9	13.6	13.4
Park operation and development	1.8	2.1	2.0	1.9	2.0	2.3	1.6	1.9	1.1	1.2
Finance:										
Administration	1.6	2.0	2.0	2.0	2.0	2.0	1.4	1.8	2.0	2.0
Billing and accounting	4.6	4.8	5.0	4.6	4.6	4.8	4.6	5.0	5.0	5.0
Revenue	2.0	2.3	3.0	3.0	2.6	3.0	3.4	4.6	3.8	3.2
Procurement	1.0	1.0	1.0	1.0	1.0	0.4	1.0	1.0	1.0	1.0
Community development (2), (3)	14.8	14.9	15.8	16.9	17.2	19.9	21.0	20.3	21.5	22.0
Police:										
Field operations (4)	40.9	43.1	47.0	50.8	48.5	50.5	51.3	46.1	45.6	45.4
Support services	25.4	24.7	25.2	24.4	24.0	23.5	25.1	32.0	33.7	35.0
Public works:										
Administration	6.2	6.0	5.5	6.1	6.9	7.1	6.2	8.2	8.2	8.1
Engineering	4.0	3.8	3.8	4.8	3.9	3.8	4.2	4.6	5.0	5.0
Program management	2.7	4.6	3.9	2.3	3.2	3.1	3.0	2.0	2.8	3.0
Building inspections	3.3	3.9	3.9	4.5	5.0	4.4	4.5	5.2	5.2	4.8
Building maintenance	6.4	6.5	6.8	6.4	6.7	7.0	8.2	8.0	8.3	8.4
Grounds maintenance	10.8	11.1	10.6	11.5	10.5	10.4	10.1	10.1	10.4	10.5
Street maintenance	6.8	8.9	8.5	8.8	8.6	8.2	7.0	7.3	10.3	8.8
Refuse/recycling	15.9	16.3	16.7	15.9	16.3	17.1	17.9	18.1	17.4	16.9
Vehicle and equipment replacement	9.2	9.9	10.2	10.2	10.4	10.2	10.5	9.9	10.1	10.5
Traffic engineering	2.7	2.2	2.4	3.3	4.8	4.0	3.8	3.8	3.8	3.5
Right-of-way inspections	2.5	3.1	3.2	3.0	3.2	3.1	3.1	3.0	3.1	3.2

Water and Sewer:										
Customer service	2.7	2.9	3.0	3.8	3.1	2.9	3.3	2.0	3.7	3.8
Sewer service and maintenance	5.9	5.0	5.3	5.0	5.1	6.8	6.3	6.2	5.6	6.4
Water supply and maintenance	5.1	5.6	5.6	5.4	5.3	5.3	5.7	7.1	6.4	6.7
Golf Course:										
Maintenance	8.8	9.0	8.9	10.2	9.2	8.3	8.6	8.4	8.1	7.6
Clubhouse	5.3	5.1	5.1	5.7	5.8	6.0	5.9	6.2	6.3	6.0
Chestnut Grove Cemetery:										
Administration	2.6	2.6	2.9	4.3	4.2	4.5	4.4	5.1	4.9	5.0
Total	257.6	268.0	276.1	286.1	285.3	290.4	293.4	306.9	311.0	302.5

Source:

Town of Herndon, Finance Department

Notes:

(1) Prior to 2004, public information activities were contracted out to a local public relations firm.

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

(3) Due to increase in residential and commercial development, additional planning positions were added to Community Development. Starting in 2003, the town has placed increased emphasis (and additional positions) on zoning and residential overcrowding enforcement.

(4) Due to increasing town population, additional police positions were added in 2002, 2003 and 2004.

TOWN OF HERNDON, VIRGINIA

Table 18

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

	Fiscal Year June 30,									
Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Calls for service	26,300	28,600	33,300	34,100	33,800	33,100	35,000	35,600	33,800	27,700
Administration:										
Number of recruitments	84	54	74	69	95	78	86	158	93	78
Building safety:										
Total building permits	439	249	278	546	661	685	361	310	168	342
Total inspections performed	3,865	4,676	3,304	3,200	5,352	3,628	3,864	3,628	3,766	3,446
Public service:										
Refuse collected (tons)	5,971	6,068	7,071	6,368	6,380	6,704	6,362	5,817	5,655	5,868
Recycle collected (residential and Recycling Center) (tons)	2,196	2,613	2,886	1,407	2,345	2,340	2,584	2,737	2,427	2,245
Parks and Recreation:										
Recreation program attendance	13,429	14,174	16,412	15,555	18,909	15,841	14,900	15,875	16,703	17,842
Herndon Festival attendance	87,000	90,000	77,000	48,000	83,000	82,000	79,000	85,000	83,000	79,000
Water and sewer:										
New utility accounts	74	84	111	130	246	72	26	30	24	10
Average daily water consumption (mgd)	2.25	2.24	2.29	2.38	2.42	2.39	2.52	2.42	2.30	2.09
Average daily sewage treatment (mgd)	2.06	2.85	3.61	2.78	2.77	2.58	2.48	2.39	2.40	2.58
Golf Course:										
Rounds played (18 and 9 hole)	41,839	44,532	35,388	38,303	34,718	31,017	33,705	34,940	32,781	32,110
Cemetery:										
Sites sold	165	142	154	150	216	164	164	139	147	184
Interments performed	139	108	134	122	139	140	144	102	133	174

Sources:

Town of Herndon town Manager's Annual Reports for fiscal years 2001 through 2010.
Town of Herndon Adopted Annual Budgets for fiscal years 2001 through 2010.
Town of Herndon Department of Public Works.
Town of Herndon Police Department.

TOWN OF HERNDON, VIRGINIA

Table 19

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

Function/Program	Fiscal Year June 30, 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	25	25	25	27	28	31	33	35	38	39
Refuse Collection:										
Collection trucks	7	7	7	7	8	8	8	8	8	8
Other public works:										
Vehicles/equipment maintained	356	358	365	367	369	370	372	374	375	375
Streets:										
Primary (miles)	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Secondary (miles)	95.3	96.8	96.8	96.9	98.1	98.1	98.1	98.1	98.1	98.1
Parks & Recreation:										
Parks - number of acres	96.0	96.0	96.0	96.0	96.0	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	6	6	6	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles)	78.0	80.0	82.0	83.0	85.0	87.0	88.0	88.7	88.7	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)	74.0	75.0	76.0	77.0	78.0	80.0	80.8	81.3	81.3	81.8

Sources:

Town of Herndon town Manager's Annual Reports for fiscal years 2001 through 2010.
Town of Herndon Adopted Annual Budgets for fiscal years 2001 through 2010.
Town of Herndon Department of Public Works.

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COMPLIANCE SECTION

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:		
Pass-through payments:		
VA Department of Emergency Management		
Disaster Grants - Public Assistance	97.036	$ 214,002
Total Department of Homeland Security		214,002
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Pass-through payments:		
Office of Community Planning and Development:		
Community Development Block Grants	14.218	86,000
Total Department of Housing and Urban Development		86,000
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:		
Direct payments:		
Bureau of Justice Assistance:		
Bulletproof Vest Partnership Program	16.607	4,125
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,030
Department of Justice:		
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	55,941
Pass-through payments:		
Office of Juvenile Justice and Delinquency Prevention:		
Youth Gang Prevention	16.544	171,718
Department of Justice:		
ARRA - Internet Crimes Against Children Task Force Program	16.800	85,861
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance		319,675

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF TRANSPORTATION:		
Pass-through payments:		
VA Department of Rail and Public Transportation:		
Highway Planning and Construction	20.205	$ 257,371
VA Department of Transportation:		
Metropolitan Transportation Planning	20.505	39,962
VA Department of Motor Vehicles:		
State and Community Highway Safety	20.600	34,708
Total Department of Transportation		332,041
Total Federal Awards Expended		$ 951,718

See Note to Schedule of Expenditures of Federal Awards.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Herndon, Virginia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the town were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

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INDEPENDENT AUDITORS' 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 the financial statements of the Town of Herndon, Virginia, (town) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the town's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control and financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the town in a separate letter dated November 22, 2010.

This report is intended solely for the information and use of Town Council, management, the Auditor of Public Accounts, and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2010

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Herndon, Virginia's (town) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia that are applicable to each of its major federal programs for the year ended June 30, 2010. The town's major federal programs are identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the town's management. Our responsibility is to express an opinion on the town's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the town's compliance with those requirements.

In our opinion, the town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town Council, management, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2010

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	____ Yes	√ No
Significant deficiencies identified that are not considered to be material weaknesses	____ Yes	√ None Reported
Noncompliance material to financial statements noted	____ Yes	√ No

Federal awards

Internal control over major programs:

Material weaknesses identified	____ Yes	√ No
Significant deficiencies identified that are not considered to be material weaknesses	____ Yes	√ None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ Yes	√ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16.544	Youth Gang Prevention
20.205	Highway Planning and Construction
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B programs $ 300,000

Auditee qualified as low-risk auditee? ____ Yes √ No

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

A. Significant Deficiencies in Internal Control

None Reported

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

TOWN OF HERNDON, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

There was no single audit performed in the prior year, therefore, there are no prior audit findings to report.

TOWN OF HERNDON, VIRGINIA

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