

**TOWN OF HERNDON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2011**

Prepared by the  
Department of Finance

# TOWN OF HERNDON, VIRGINIA

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# TOWN OF HERNDON



Steve J. DeBenedittis, Mayor  
Lisa C. Merkel, Vice Mayor  
Connie Haines Hutchinson  
Sheila A. Olem  
Jasbinder Singh  
William B. Tirrell  
Grace Han Wolf

P.O. BOX 427  
HERNDON, VIRGINIA 20172-0427  
(703) 435-6810  
finance@herndon-va.gov

Mary K. Tuohy, CPA  
Director of Finance

November 21, 2011

The Honorable Mayor, Members of the Town Council and Citizens of the Town of Herndon, Virginia

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Herndon, Virginia (town), for the fiscal year ended June 30, 2011. 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, 2011 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 auditor's 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 2011 population is now 23,620 persons, housed in 7,846 dwelling units. If the town is developed according to the current 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, including current and projected inflation rates, unemployment rates, retail sales volumes, new construction activities, real estate sales transactions, population movements and income per capita. For the past several years, Fairfax County has ranked in the top echelon of large U.S. counties with the highest median household incomes. According to the American Community Survey, the County's median household income for calendar year 2009 was \$104,259, the second highest in the nation for counties with populations of 250,000 or more.

Over the past five years, Herndon has been recognized nationally by *Business Week* and *Money* magazines as well as CNN/Money.com as one of the "best affordable suburbs" in the nation as well as one of the "best places in the nation for the rich and single." In summer 2011, the town was included in *Money* magazine and CNN/Money.com's 2011 ranking of the "Best Places to Live" in America. Herndon was only one of five Virginia communities selected for the ranking.

In their write-up, the town was lauded as “a great base to explore the many jobs in the area. Herndon sits right near the Dulles Technology Corridor, where companies such as AOL, Microsoft, and Verizon are big employers.”

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. Consumer spending will continue to be constrained as long as unemployment remains high. Even though the US unemployment rate dropped from 9.6 percent in August 2010 to 9.1 percent in August 2011, employers continue to be hesitant about adding 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 4.5 percent by August 2011.

Northern Virginia has experienced job growth in each of the last 12 months and, in March 2011 there were 15,000 more jobs than in March 2010. George Mason University’s Center for Regional Analysis projects job growth in Northern Virginia of approximately 22,000 per year for the next three to five years. Forecasts from Moody’s Analytics show job growth of about 13,000 per year for Fairfax County alone.

However, in spite of the challenges, the economic outlook for Herndon remains comparatively sound and the town’s business climate is strong. The current economic outlook, based on anticipated federal spending and modest rebounds in property values for 2012 through 2014, predicts a return to more modest growth rates of one to three percent. With the planned extension of Metrorail to Dulles Airport, development of the Downtown according to the adopted master plan, the beginnings of development and redevelopment surrounding the Herndon Metrorail area and the strength of our business community in general, positive signs of economic vitality are evident.

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

The 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 2011, 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. A large proportion of these jobs are high-wage, highly-skilled technical, professional, scientific, and managerial service occupations.



With a new Town Council taking over the political reins in July 2010, the Mayor and Council members established a 2030 Vision Plan for the town which calls for a future in which “history and heritage are respected” and in which “Herndon is the anchor of an expanded community where positive benefits extend beyond the town’s boundaries.” The 2030 Vision’s eight tenets are the cornerstone upon which all town initiatives are built.

The town’s 2030 Comprehensive Plan addresses the redevelopment of the areas surrounding access to the Herndon-Monroe rail station at the southern edge of the town. This transit station is part of Phase 2 of Dulles Rail, a project that is expected to bring the Washington area MetroRail system (dubbed the “Silver Line”) to the Herndon area by 2018. The connection by rail of the town and its commercial districts to the entire metropolitan Washington region creates a vastly enhanced marketplace that will likely have broad appeal to businesses. By the year 2020, the projected non-residential floor area will be almost ten million square feet, supporting an estimated 27,000 jobs. Further, the town has developed a comprehensive plan amendment for final Town Council action in early 2012. This plan provides for large scale transit-oriented mixed use redevelopment in the vicinity of the Herndon Metrorail Station. The final plan is anticipated to allow for redevelopment of existing low rise office and back office areas resulting in a net increase in the range of 6 million square feet of high quality office, residential, hotel and retail space.

The town’s location close to Washington Dulles International Airport provides a major stimulus for commercial development. The airport itself is in the final stages 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. Over the next 25 years, population in the Dulles Corridor is expected to increase 45 percent and job growth increase by 63 percent. This growth potential, along with steady increases in the number of new national defense and security-related businesses, will have a positive influence upon the town and its economic stability.

## **FINANCIAL INFORMATION**

### **Financial Policies**

A key component of the town’s budgetary planning process, which highlights the organization’s commitment to fiscal integrity and sound financial management, is the town’s financial policies. These policies relate primarily to capital planning, debt and cash management, and provide annual budget guidelines covering operating revenues and expenditures and minimum General Fund unassigned fund balance requirements. The Town Council affirms the organization’s commitment to its financial policies by incorporating them as part of the town’s adopted annual budget.

### **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 committed or assigned funds can only be accomplished with the approval of the Town Council.

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

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

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

## **OTHER INFORMATION**

### **Independent Audit**

The town requires that an annual independent audit be conducted on its financial statements by a certified public accountant selected through a competitive procurement process. For the year ended June 30, 2011, 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 and Designations**

#### **Tree City USA**

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

## **Golf Course**

The course was successful in retaining its designation as a Certified Audubon Cooperative Sanctuary for the next two years. To achieve recertification, a facility must demonstrate continued commitment to maintaining a high degree of environmental quality which includes environmental planning; wildlife and habitat management; outreach and education; chemical use reduction and safety; water conservation and water quality management.

## **Parks and Recreation**

The Department of Parks and Recreation received two awards from the International Festival & Events Association in association with the 2010 Herndon Festival, a silver award for best street banner; and a bronze award for the best t-shirt design. The department also received a Best New Program award in its population category for the Father-Daughter Dance, initiated in 2009.

## **Public Safety**

The Herndon Police Department achieved its seventh consecutive reaccreditation with the Commission on Accreditation for Law Enforcement Agencies (CALEA). This reaccreditation recognizes the department as a professional law enforcement agency meeting national standards. The department, partnering with staff of community development and public works, was awarded the Virginia Municipal League's 2010 Achievement Award for the town's Home Foreclosure Check program.

## **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, 2010. This was the thirty-sixth 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, 2010. This is the twentieth consecutive year that the town has achieved this honor. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In July 2011, the town's budget documents for the fiscal year beginning July 2011 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. 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, CPA  
Director of Finance

STEPHAN A. GREENNAGEL, CPA  
Deputy Director of Finance



**TOWN OF HERNDON, VIRGINIA**  
[www.herndon-va.gov](http://www.herndon-va.gov)

**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

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, 2011, 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, 2011, 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 21, 2011 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 21) and the required supplementary information (page 73) 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 21, 2011

## Town of Herndon, Virginia Management's Discussion and Analysis

The following discussion and analysis of the Town of Herndon, Virginia's (town) financial statements provides an overview of the town's financial performance for the fiscal year ended June 30, 2011. Users of these financial statements are encouraged to consider the information presented here in conjunction with the town's basic financial statements and the information furnished in the transmittal letter found on page i of this report.

### Financial Highlights

- The assets of the town exceeded its liabilities at the close of the fiscal year by \$114.5 million (*net assets*). Of this amount, \$27.6 million (*unrestricted net assets*) may be used to meet the town's ongoing obligations to citizens and creditors.
- The town's total net assets decreased during the fiscal year by approximately \$766,000. The decline was segregated to the governmental activities and is related primarily to a decrease in key revenue sources such as general property taxes, interest earnings and operating grants and contributions in comparison to the previous fiscal year. Much of the revenue decline was offset by decreases in governmental expenses. Also declining was the amount invested in capital assets, net of related debt.
- Total capital assets (exclusive of depreciation and amortization) increased by \$2.2 million with the continuation or completion of several major capital projects, such as:
  - completing the 5,000 square-foot addition to the town shop maintenance facility;
  - installing curb, gutter, sidewalk and landscaping along the newly expanded southbound lanes of Van Buren Street adjacent to the Northern Virginia Park Authority right-of-way for the W&OD Trail;
  - constructing a 4,200 skate park facility at Trailside Park;
  - completing the final engineering plans for the utility undergrounding project located in the downtown portion of Elden Street. Also begun was the installation of the duct bank and manhole structures;
  - replacing the Spring and Oak streets water mains during fall 2010 and beginning the preliminary design plans and engineering specifications for replacing the Park Avenue water line in fiscal year 2012;
  - constructing the golf course master plan phase II improvements which included fairway bunker and tee box renovations as well as replacing the asphalt cart paths and curbing.

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 \$18.6 million, an increase of \$912,000 from the previous fiscal year. The increase is related to unexpended 2009 general obligation note proceeds in the Capital Projects Fund and a significant (seven percent) increase in the General Fund fund balance. Approximately 34 percent of the total governmental funds fund balance, which is \$6.3 million, is *available for spending* at the town's discretion (*unassigned fund balance*).



## **Town of Herndon, Virginia Management's Discussion and Analysis**

- At the end of the current fiscal year, the unassigned portion of fund balance for the General Fund was slightly more than 21 percent of total General Fund expenditures, excluding transfers out from the fund.
- During the fiscal year, the town issued general obligation refunding bonds under the VML/VACo Finance Program in the amount of \$3.015 million with a ten-year life and true interest cost of 2.93 percent. Net cumulative savings to the town from the refunding was \$218,037 over the life of the replaced (2001) bonds. With this issue, the town's outstanding principal balance for total bonded debt was \$21.5 million at June 30, 2011.

### **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).

## **Town of Herndon, Virginia Management's Discussion and Analysis**

Business-type Activities - The town has four business-type activities, which are the Water and Sewer Fund (provides customers with water distribution and sewer conveyance); the Golf Course Fund (provides customers with recreational golfing opportunities); the Chestnut Grove Cemetery Fund (operates and manages the Chestnut Grove Cemetery); and the Downtown Parking Enterprise Fund (operates and manages the town's Downtown Public Shared Parking program). These funds charge a variety of user fees which are dedicated to support a majority, if not all, of fund expenses.

### **Fund Financial Statements**

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

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

Proprietary funds – These funds are used to account for the operation of services and activities that are financed in a manner similar to private business enterprises. Thus, costs generated by providing the activity or service are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both a short-term and long-term financial view. The town uses *enterprise funds* (one type of proprietary fund) to account for the activities of the Water and Sewer Fund, Golf Course Fund, Chestnut Grove Cemetery Fund and Downtown Parking Enterprise Fund.

Fiduciary fund – A fiduciary fund is used to account for resources (e.g., assets) held for the benefit of a party outside of town government. The town is responsible for ensuring that the assets reported in the fund are used for their intended purpose. The town's fiduciary activities are reported in a separate statement of fiduciary net assets. The town excludes these activities from the town government-wide financial statements because the town cannot use these assets to finance its programs.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located in the third section of this report and titled "Notes to Financial Statements".

**Town of Herndon, Virginia  
Management's Discussion and Analysis**

Financial Analysis of the Town as a Whole

Table 1 below presents a Summary Statement of Net Assets for fiscal year 2011 in comparison to the previous fiscal year:

**TABLE 1  
Summary Statement of Net Assets  
June 30, 2011 and 2010  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 28,322	\$ 27,495	\$ 16,862	\$ 17,154	\$ 45,184	\$ 44,649
Capital assets, net	86,612	88,979	18,393	18,203	105,005	107,182
<b>Total assets</b>	<b>114,934</b>	<b>116,474</b>	<b>35,255</b>	<b>35,357</b>	<b>150,189</b>	<b>151,831</b>
Current and other liabilities	9,307	9,395	1,622	1,642	10,929	11,037
Non-current liabilities	21,047	21,723	3,708	3,800	24,755	25,523
<b>Total liabilities</b>	<b>30,354</b>	<b>31,118</b>	<b>5,330</b>	<b>5,442</b>	<b>35,684</b>	<b>36,560</b>
Net Assets:						
Invested in capital assets, net of related debt	71,870	72,889	15,029	14,724	86,899	87,613
Unrestricted	12,710	12,467	14,896	15,191	27,606	27,658
<b>Total net assets</b>	<b>\$ 84,580</b>	<b>\$ 85,356</b>	<b>\$ 29,925</b>	<b>\$ 29,915</b>	<b>\$ 114,505</b>	<b>\$ 115,271</b>

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

**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 \$114.5 million. About 24 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 decreased by \$776,000 when compared to the prior fiscal year. The decrease is related primarily to a decrease in key revenue sources such as general property taxes, interest earnings and operating grants and contributions in comparison to the previous fiscal year.

## **Town of Herndon, Virginia Management's Discussion and Analysis**

Much of the revenue decline was offset by decreases in governmental expenses. Though there is a substantial decrease in other local taxes, the reason is not due to a reduction in the tax collections themselves. Rather, the town's share of the state's communications sales and use tax, which was considered a local tax source in previous fiscal years, is now accounted for as intergovernmental revenue. Also declining was the amount invested in capital assets, net of related debt.

Total net assets reported in connection with the town's business-type activities increased nominally by \$11,000. The increase is due to developer capital contributions to the Water and Sewer Fund which resulted in a gain in net assets of \$206,000. However, the Golf Course Fund, Chestnut Grove Cemetery Fund and Downtown Parking Enterprise Fund suffered net losses of \$107,000, \$53,000 and \$35,000, respectively. Further analysis concerning the nature of these gains and losses is discussed on the next page under "Business-type Activities".

### **Statement of Activities:**

#### **Governmental Activities**

**Revenues:** For the fiscal year ended June 30, 2011, revenue from governmental activities totaled \$30.5 million. Sources of revenue for fiscal year 2011 are comprised of many different types with taxes constituting the largest source of town revenues.

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 2011 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 communications sales and use tax are now counted among the town's intergovernmental revenue sources. Remittances from the town's four major local taxes, and in particular business license taxes, enjoyed an overall increase of seven percent in comparison to the previous fiscal year. The current situation reflects the slowly improving regional economy and marks the beginning of an upward trend, an occurrence not witnessed since 2008.

In addition, the town received capital grants and contributions totaling \$1.2 million. Major grant-related capital projects undertaken this fiscal year included easement acquisitions as part of the Station Street improvements; Van Buren and Elden Streets median and intersection improvements and the initial cost of installing duct banks and manhole structures as part of the downtown utility relocation capital project. 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.

**Expenses:** Expenses for governmental activities, including interest on debt service, totaled \$31.2 million which is a decrease of two 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. Cost-control measures undertaken included minimal funding for capital equipment and eliminating ten full-time and three part-time vacant positions. In addition, five other vacant positions remained vacant (i.e., "frozen") and unfunded for fiscal year 2011.

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 75 percent of total governmental expenses.

**Town of Herndon, Virginia  
Management's Discussion and Analysis**

**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 a nominal \$11,000. The following highlights center on the financial activities of these enterprise funds:

Water and Sewer Fund: Total operating and nonoperating revenues amounted to \$6,608,000, with water and sewer availability fees and interest earnings (a combined \$794,000) accounting for approximately 12 percent of total revenues. Due to historically low interest rates, investment earnings for the fund declined almost \$498,000 from the previous fiscal year. In contrast to the fund's investment earnings, total user charges assessed for water sales and sewer services during the fiscal year were \$347,000 more than the previous fiscal year. The increase is related to the adopted adjustments to both the water and sewer commodity rates which went into effect for billing purposes on October 1, 2009.

Operating expenses of the fund, which totaled \$6,716,000, included wholesale sewer conveyance charges of \$2.83 million, wholesale water purchases of \$1.50 million as well as \$109,000 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 \$206,000, due to the addition of developer donated assets valued at \$314,000.

Golf Course Fund: Total operating revenues amounted to \$1,341,000, which is a decline of eight percent from the previous fiscal year. The continued impact of the sluggish economy and golfers concerns over personal finances have resulted in a continued decline in golf course usage and ancillary golf services. This decrease is reflected in the total number of golf rounds played (at 30,100) which decreased six percent from the previous fiscal year. Also influencing the revenue decline was an unseasonably warm 2010 summer, making outdoor sporting activities less desirable. Even so, over the past several years, fee refinements (such as resident weekday passes, sunset rates, single occupancy cart rates and discounted off-season rates) have been moderately successful in attracting new customers while retaining existing customers.

Operating expenses of the fund, which totaled \$1,397,000, included personnel costs, turf maintenance and other operating supplies, depreciation and amortization costs and other miscellaneous expenses. Given that the revised revenue estimates would likely fall well below initial projections, town staff took steps early in the fiscal year to reduce expenses where possible without compromising maintenance standards and levels of service. Approximately \$77,000 in savings was realized through reductions in seasonal personnel, products for resale, materials and supplies and capital equipment. However, even these cost saving measures weren't enough to offset an income loss for the fund. As such, the fund's net assets decreased \$107,000 by fiscal year end.

Chestnut Grove Cemetery Fund: Total operating revenues amounted to \$626,000 and represent an increase of six percent over the previous fiscal year. Most of the increase is attributed to the sale of monuments and other memorializing products with total receipts about 55 percent above the previous fiscal year's total. During the fiscal year, the cemetery sold 128 interment lots; 35 cremation sites; and performed 117 burials.

Operating expenses of the fund amounted to \$575,000 and included depreciation and amortization expenses attributed to the administration and maintenance buildings. Nonoperating expenses included \$123,000 in bond interest costs. At the conclusion of the fiscal year, the fund's net assets decreased by \$53,000.

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Downtown Parking Enterprise Fund: Total operating and nonoperating revenues amounted to \$42,000 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 \$77,000 and included depreciation and amortization expenses of \$30,000 as well as the cost of a fiscal analysis of the proposed downtown master plan, including estimated costs to construct a public parking garage. At the conclusion of the fiscal year, the fund's net assets decreased by \$35,000.

The following table summarizes the changes in net assets for the town for the fiscal years ended June 30, 2011 and 2010:

**TABLE 2**  
**Summary of Changes in Net Assets**  
**Fiscal Years Ended June 30, 2011 and 2010**  
**(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,384	\$ 4,216	\$ 7,248	\$ 6,989	\$ 11,632	\$ 11,205
Operating grants and contributions	1,965	2,296	556	645	2,521	2,941
Capital grants and contributions	1,238	1,645	314	78	1,552	1,723
<b>Total program revenues</b>	<b>7,587</b>	<b>8,157</b>	<b>8,118</b>	<b>7,712</b>	<b>15,705</b>	<b>15,869</b>
<b>General revenues:</b>						
General property taxes	9,118	10,418	-	-	9,118	10,418
Other local taxes	10,963	12,111	-	-	10,963	12,111
Use of money and property	725	1,217	291	835	1,016	2,052
Intergovernmental non-categorical aid	1,828	29	-	-	1,828	29
Miscellaneous	258	238	560	492	818	730
<b>Total general revenues</b>	<b>22,892</b>	<b>24,013</b>	<b>851</b>	<b>1,327</b>	<b>23,743</b>	<b>25,340</b>
<b>Total revenues</b>	<b>30,479</b>	<b>32,170</b>	<b>8,969</b>	<b>9,039</b>	<b>39,448</b>	<b>41,209</b>
<b>Expenses:</b>						
General government administration	4,687	4,619	-	-	4,687	4,619
Parks and recreation	4,364	4,311	-	-	4,364	4,311
Community development	2,346	2,353	-	-	2,346	2,353
Police	8,548	9,009	-	-	8,548	9,009
Public works	10,493	10,817	-	-	10,493	10,817
Interest	807	766	-	-	807	766
Water and sewer	-	-	6,716	6,616	6,716	6,616
Golf course	-	-	1,477	1,562	1,477	1,562
Chestnut Grove cemetery	-	-	698	715	698	715
Downtown parking	-	-	78	45	78	45
<b>Total expenses</b>	<b>31,245</b>	<b>31,875</b>	<b>8,969</b>	<b>8,938</b>	<b>40,214</b>	<b>40,813</b>
Changes in net assets before transfers	(766)	295	-	101	(766)	396
Transfers	(10)	(29)	10	29	-	-
Changes in net assets	(776)	266	10	130	(766)	396
Net assets, July 1	85,356	85,090	29,915	29,785	115,271	114,875
Net assets, June 30	\$ 84,580	\$ 85,356	\$ 29,925	\$ 29,915	\$ 114,505	\$ 115,271

**Town of Herndon, Virginia  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

Governmental funds - The General Fund is the major governmental fund of the town. The town's other governmental funds are the Capital Projects Fund, 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).

Beginning with the current fiscal year, governmental fund balance portions are now allocated into five categories. These categories are "nonspendable", meaning the amounts are not in a spendable form, such as inventories; "restricted", meaning externally imposed restrictions or enabling legislation exist on the amounts reported; "committed", meaning internally imposed restrictions authorized by the government's highest level of decision-making authority exist on the amounts reported; "assigned", meaning the government intends to use the amounts reported for a specific purpose; and "unassigned", meaning the amounts reported have not been assigned to other funds nor have they been restricted, committed, or assigned to a specific purposes in the General Fund. At the end of the current fiscal year, the total General Fund fund balance was \$8.2 million with the unassigned portion totaling \$6.3 million. This amount represents 21 percent of the General Fund's total expenditures for fiscal year 2011.

The Capital Projects Fund's fund balance contained an assigned portion of \$8.7 million at fiscal year-end which represents assets dedicated to subsequent years capital expenditures.

The fund balance of the town's General Fund increased by \$500,000 during the fiscal year, which is significant since the budgeted decline was projected at \$1,523,000. Specific details concerning governmental financial activities are as follows:

**Revenues:**

- Various short-term and medium-term investment instruments assigned to the governmental funds earned approximately \$395,000 in interest earnings during the fiscal year. Revenue from interest on investments is highly dependent on Federal Reserve actions. Since December 2009, the fed funds rate has ranged from 0.00 to 0.25 percent which is extremely low in comparison to the rates of three to four years ago. The amount of interest earnings reported was further affected by the accounting and reporting requirements under GASB Statement Number 31. This statement had a substantial negative effect since the book value of many of the town's investments was 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 bank stock taxes, cable TV franchise fees, business license taxes, the town's share of local sales taxes, and meals tax collections. In addition, the rates for two local revenue sources were increased effective July 1, 2010. These were the cigarette tax rate, which was increased from \$0.50 to \$0.75 per pack, and the vehicle decal fees which were increased from \$20 to \$25 for passenger cars. Vehicle decal fees for other types of vehicles were also adjusted accordingly.

**Town of Herndon, Virginia  
Management's Discussion and Analysis**

- Other local tax sources which were either stagnant or declined in comparison to the previous fiscal year were right-of-way use fees, transient lodging taxes, and utility consumption taxes.
- Court fees remitted from Fairfax County declined about eight 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 \$4,915,000, 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, a pro-rata share of the state's communication sales and use tax, street and highway maintenance funding, a pro-rata share of the state's fire fund monies, vehicle rental taxes, Department of Criminal Justice Service "mini-grants" and the Virginia Department of Emergency Management (VDEM) disaster funds. The VDEM grant was the state's share of identified costs incurred by the town in battling two major snow events during the 2010 winter. Also received were reimbursements under the Virginia Department of Transportation revenue sharing agreement program for costs associated with the Station Street improvements and the Van Buren and Elden Streets intersection and median improvements.
- Federal grant reimbursements received included reimbursements under the Gang Task Force program; the Internet Crimes against Children grant managed by the Virginia State Police; and reimbursements for the initial costs of the downtown utility relocation project. In addition, the town received a supplemental \$65,000 in FEMA disaster funds related to the previous winter's snow storms.

**Expenditures:**

- The fiscal year included expenditures related to outside legal counsel engaged to assist staff and the Town Council with inter-jurisdictional issues and the Verizon-Virginia State Corporation Commission 2009 erroneous property assessment case. 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. Also incurred were costs to continue the phased replacement of aging recreation equipment considered unsafe for patron use.
- 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.
- Combined expenditures during the fiscal year for police and public works were \$1,051,000 less than the previous fiscal year. These savings were achieved by "freezing" vacant positions and shifting critical job responsibilities among current staff. In addition, vehicle and equipment replacements were kept to a minimum.



## **Town of Herndon, Virginia Management's Discussion and Analysis**

- 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.
- Overall, debt service costs for the current fiscal year were \$18,000 less than the previous fiscal year primarily due to the debt amortization schedules for the various outstanding issues. Adding to this fiscal year's debt service expense were bond issuance costs associated with the town's refunding of its 2001 general obligation bonds
- During the fiscal year, the town incurred \$1.4 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 17.

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, 2011 the unrestricted net assets for each of the four enterprise funds were as follows:

- Water and Sewer Fund with an amount of \$13,270,000
- Golf Course Fund with an amount of \$724,000
- Chestnut Grove Cemetery Fund with an amount of \$304,000
- Downtown Parking Enterprise Fund with an amount of \$599,000

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 2011 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 2011 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 approved master plan for the downtown area and initiate the Herndon Metrorail Area Plan study.
- Continue advancement of neighborhood improvement projects.
- Obtain grants and seek alternative funding options for transportation enhancements, park facilities and police equipment and operations.

## **Town of Herndon, Virginia Management's Discussion and Analysis**

As was the case in planning for the previous fiscal year's budget, devising the fiscal year 2011 budget proved to be another somber task with little discretionary resources. The percentage change in real property assessed values as of January 1, 2010 was a significant decline of 15 percent below the assessments of the previous year. This was the second consecutive year that the town had 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.

Projections for fiscal year 2011 recurring revenues, which included real estate and other taxes, permit fees, planning fees, fines, grants, interest income and fees for services were approximately four percent below estimated amounts for fiscal year 2010. The continuing economic uncertainty 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 reduced benefits 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 \$1,215,000 (or about four percent) less than final budget amounts. Much of this variance is related to the substantial decline in fines and forfeitures, interest earnings, rental income and, to a much larger extent, intergovernmental revenues. This latter situation is due to the timing of capital projects and subsequent reimbursements. A large variance of \$5.33 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 third consecutive year, the town experienced decreased assessments in real property values with the assessed values as of January 1, 2010 declining 15 percent when compared to the total assessed values at January 1, 2009. Most of this decline was tied to the reassessment of existing commercial properties, though residential properties declined an overall 3 percent during the period. Based on these assessment declines, the fiscal year 2011 adopted real estate tax rate was increased to \$0.2675 per \$100 of assessed value, a \$0.0075 increase over the fiscal year 2010 tax rate of \$0.26 per \$100 of assessed value.
- Actual real estate tax collections were about \$26,000 more than anticipated due to subsequent property assessment supplements generated 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 real estate taxes.
- Several local revenue sources either increased moderately or held steady during fiscal year 2011. Such consumer-sensitive revenue sources as bank stock taxes, business license fees, meals taxes and local sales taxes enjoyed an upswing in collections during the fiscal year, resulting in actual revenues comfortably exceeding the fiscal year 2011 budget projections. Fiscal year 2011 original budget projections for other local tax sources were about twelve percent below the budget projections for fiscal year 2010. By fiscal year end, however, actual revenues from other local tax sources were almost eight percent (\$796,000) above budgeted amounts.

**Town of Herndon, Virginia  
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- Revenues from permits, privilege fees and regulatory licenses were about four percent above budgeted amounts. Current fiscal year collections included building permits for the final phase of the Darlington Oaks residential subdivision, located on Van Buren Street near the W&OD Trail.
- Interest earnings and rental payments together were 40 percent below budget projections. Interest earnings from the investment of temporarily idle cash balances totaled only \$158,000, due to lower interest rates and the effects of GASB Number 31. The town's commercial property at 397 Herndon Parkway was only partially leased during the fiscal year and contributed \$331,000 in rental payments to the town.
- Actual revenue from charges for services was approximately six percent (or \$186,000) above budgeted amounts. The increase is mainly attributed to growth in recreation program fees, admission fees, Herndon Festival revenues and the receipts from the sale of recyclable materials.
- Receipt of 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 purchase alternative fuel vehicles did not occur during the fiscal year. These three budgeted grant sources totaled \$1.1million.

**Expenditures:**

- Expenditure amounts for all operating departments (with the exception of grants and debt service) 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 2010 which established fiscal year 2011 carry-over appropriations for the June 30, 2010 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.

**Town of Herndon, Virginia  
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**Capital Assets**

The town's investment in capital assets at June 30, 2011, which amounted to approximately \$105 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, 2011 and 2010  
(In thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Capital assets, not being depreciated or amortized:						
Land and easements	\$ 25,665	\$ 25,609	\$ 3,418	\$ 3,418	\$ 29,083	\$ 29,027
Construction in progress	620	1,518	421	103	1,041	1,621
<b>Total capital assets, not being depreciated or amortized</b>	<b>26,285</b>	<b>27,127</b>	<b>3,839</b>	<b>3,521</b>	<b>30,124</b>	<b>30,648</b>
Capital assets, being depreciated or amortized:						
Infrastructure	76,122	75,721	-	-	76,122	75,721
Buildings	40,457	39,412	3,580	3,580	44,037	42,992
Improvements other than buildings	10,287	10,126	28,182	27,302	38,469	37,428
Machinery and equipment	9,701	9,578	2,577	2,517	12,278	12,095
Leasehold improvements	146	146	-	-	146	146
Furniture and fixtures	1,740	1,740	208	208	1,948	1,948
Intangibles	1,159	1,141	269	269	1,428	1,410
<b>Total capital assets, being depreciated or amortized</b>	<b>139,612</b>	<b>137,864</b>	<b>34,816</b>	<b>33,876</b>	<b>174,428</b>	<b>171,740</b>
<b>Less total accumulated depreciation and amortization</b>	<b>(79,285)</b>	<b>(76,012)</b>	<b>(20,262)</b>	<b>(19,194)</b>	<b>(99,547)</b>	<b>(95,206)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>60,327</b>	<b>61,852</b>	<b>14,554</b>	<b>14,682</b>	<b>74,881</b>	<b>76,534</b>
<b>Capital assets, net</b>	<b>\$86,612</b>	<b>\$ 88,979</b>	<b>\$ 18,393</b>	<b>\$ 18,203</b>	<b>\$105,005</b>	<b>\$107,182</b>

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

## **Town of Herndon, Virginia Management's Discussion and Analysis**

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

- **Town Shop Improvements:** Construction of this approximately 5,000 square foot addition to the town shop maintenance facility which began the previous fiscal year was completed in August 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.
- **Triangle Street Improvements:** This project, which complements the Darlington Oaks developer's required road improvements, widened the southbound lanes of Van Buren Street adjacent to 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, gutter, and sidewalk.
- **Skate Park Facility:** Through a collaborative effort of interested stakeholders, the final design for the skate park at Trailside Park was completed and construction of the 4,200 square-foot facility begun during June of the previous fiscal year. The skate park, which consists of both streetscape elements as well as a bowl to accommodate the different skill levels of the skaters, was completed in September 2010.
- **Station Street Improvements:** This project, which has been on the town's capital improvement roster for at least a decade, began in earnest this fiscal year with the acquisition of many of the right-of-way easements and land purchases needed before construction could begin. Improvements will include the installation of curb and gutter, sidewalks, storm drains and new waterlines in various sections of Station Street from Pine Street to Park Avenue. Construction is anticipated for fiscal year 2012.
- **Van Buren and Elden Streets Intersection Improvements:** This project brought needed traffic flow improvements to the area around the vicinity of the US Post Office located on the corner of Van Buren and Grove Streets. These improvements include raised medians on Van Buren Street; a dedicated left turn from Van Buren to Grove St; and a realignment of the lanes at the intersection of Van Buren and Elden Streets. Also included was a "right turn only" lane from Van Buren Street to Elden Street. The project was completed in November 2010.
- **Herndon Metro Rail Area Planning:** To plan for the transit oriented development anticipated near the Herndon Metrorail Station, the town sought the assistance of a regional planning and engineering consulting firm in fiscal year 2010. The planning process employed by staff and the firm included a high level of community outreach and participation. The planning effort itself included the development of land use scenarios and policies as well as conducting a transportation analysis, a financial feasibility analysis and a utility capacity study to determine the impacts of the development scenarios. It is anticipated that the study's final recommendations will be considered by the Town Council in early 2012.
- **Downtown Utility Relocation:** The town obtained an \$800,000 federal stimulus grant to initiate the future undergrounding of utilities in the downtown. The grant was augmented in August 2010 with an additional award of \$160,000. The first step in this multi-year project was 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, the preliminary designs for the undergrounding program were completed and construction of the conduits began in January 2011.

**Town of Herndon, Virginia  
Management's Discussion and Analysis**

- **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 \$22,000 was expended on replacement of twenty older desktop PCs and ten network file servers. In addition, substantial attention was focused on implementing IT architectural changes to support the town's IT disaster recovery plans. Specifically, file servers in the Herndon Municipal Center (HMC) data center were virtualized which now allows the town to maintain duplicate devices in another location. In the event that problems occur with the HMC file servers, computer processing can be seamlessly transferred to the other location with no interruption to end users.
- **Waterline Replacement Projects:** Construction of the Spring and Oak streets water mains, located in the Wood-Nash-Pearl-Oak streets neighborhood, was completed during fall 2010. Also undertaken were the initial design plans and engineering specifications for replacing the Park Avenue water line, from Monroe Street to Dranesville Road. Construction of this water line is scheduled for fiscal year 2012.
- **Golf Course:** As part of the course's master plan phase II improvements, renovation of ten fairway bunkers and reconstruction of two tee complexes were completed during the fiscal year. Also initiated were replacement of approximately 23,000 linear feet of asphalt cart paths and installation of curbing. These latter efforts were still under construction at fiscal year-end. Anticipated project completion is mid-summer 2011.

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

**LONG-TERM DEBT**

At June 30, 2011, the town's long-term liabilities, exclusive of compensated absences and amounts to be repaid within one year, totaled \$20,975,200. Of this amount, \$17,684,300 is a liability attributed to governmental activities with the remaining \$3,290,900 attributed to business-type activities. The Town's maximum legal debt margin available, as permitted by the Commonwealth of Virginia is \$310 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, 2011 is as follows:

<b>Estimated Population</b>	<b>Assessed Valuation of Taxable Real Property</b>	<b>Governmental Net Bonded Debt</b>	<b>Ratio of Debt to Assessed Valuation</b>	<b>Net Bonded Debt per Capita</b>
23,620	\$3,381,210,010	\$18,026,891	.0053	\$763

During the fiscal year, the town borrowed an additional \$900,000 on its 2009 public improvement note, resulting in an outstanding balance of \$1,765,000 at June 30, 2011. In December 2010, the town issued general obligation refunding bonds under the VML/VACo Finance Program in the amount of \$3.015 million. The 2010 refunding bond issue has a ten-year life and a true interest cost of 2.93 percent. Net cumulative savings to the town from the refunding was \$218,037 over the life of the replaced (2001) bonds.

## **Town of Herndon, Virginia Management's Discussion and Analysis**

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. was also increased to "Aaa". 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 2012:

- Real property assessment values as of January 1, 2011 increased overall by five percent above the assessments of the previous year. This the first time assessed values have increased since fiscal year 2008. The increase occurred mainly within the residential sector of the tax base which experienced an overall assessment growth of seven percent.
- In response to the increase in assessed real property values, the town's real estate tax rate was decreased slightly from \$0.2675 per \$100 of assessed value to \$0.265 per \$100 of assessed value. Despite the modest tax rate decrease, when measured against the seven percent increase in residential real estate assessments, the average homeowner's real estate tax bill is projected to increase about \$40 for the upcoming year.
- The town meals tax rate increased effective July 1, 2011 from 1.5% to 2.5%. The additional \$750,000 generated from the increased rate will be used to finance the following four initiatives:
  - Some of the economic development proposals identified in a recent economic development study at \$75,000;
  - Major road repaving at \$325,000;
  - Downtown utility relocation at \$150,000; and
  - Seed money to be dedicated toward a future parking garage in the downtown at \$200,000.
- Several local revenue sources either increased moderately or held steady during fiscal year 2011 with such consumer-sensitive revenue sources as transient lodging tax, meals tax and local sales tax faring better than initially projected. Revenue projections for fiscal year 2012 assume this economic recovery to continue, albeit slowly, and eventually lead to sounder financial footing by mid-to-late 2011.
- The July 2011 unemployment rate in Fairfax County (which includes the Town of Herndon) is estimated at 4.3 percent compared to the actual rate of 5.0 percent in July 2010. In comparison, Virginia's seasonally unadjusted unemployment rate for July 2011 is estimated at 6.2 percent and the U.S. unemployment rate is estimated at 9.1 percent.
- Beginning in October 2011, operations of the town's Neighborhood Resource Center will transition from the town to Fairfax County.

## **Town of Herndon, Virginia Management's Discussion and Analysis**

The total adopted fiscal year 2012 budget, including inter-fund transfers, is \$45,248,570 which is about seven percent more than the original budget for fiscal year 2011. A significant portion of the increase is related to Water & Sewer wholesale sewer conveyance costs which are projected to increase \$1.1 million over amounts paid during fiscal year 2011. The fiscal year 2012 budget for capital projects is \$4.101 million, a slight decrease of \$70,000 from fiscal year 2011. In addition, four vacant positions will remain vacant (i.e., "frozen") and unfunded for fiscal year 2012. These positions are two police officers, a senior accounting technician and an assistant work crew supervisor in the refuse division. Since fiscal year 2008, the town's list of authorized regular and part-time positions has contracted from 285 positions to 264 positions, a drop of eight percent.

In addition to the three capital projects to be funded with revenues generated from the town's meal tax rate increase, below are the other 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.
- \$268,000 in additional 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.
- \$1,400,000 in combined VDOT revenue sharing funds and bond proceeds to improve street and drainage systems mainly along Park Avenue and on both sides of the Monroe Street intersection. A major element of this project will involve the reconfiguration of the Monroe Street intersection with Park Avenue. Curb, gutter, and sidewalk improvements are also anticipated with the project.
- \$400,000 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.
- \$663,000 for the purchase of information technology software upgrades and replacements.
- \$474,000 for replacing the water main along Park Avenue, from Monroe Street to Dranesville Road.

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

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



## TOWN OF HERNDON, VIRGINIA

Exhibit A-1

## STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 18,099,480	\$ 15,483,577	\$ 33,583,057
Cash with fiscal agent	3,407,266	-	3,407,266
Receivables, net:			
Property taxes	4,650,066	-	4,650,066
Trade and other accounts	617,052	1,199,990	1,817,042
Accrued interest	82,773	69,869	152,642
Due from other governments	863,886	-	863,886
Inventories	104,545	64,763	169,308
Prepaid costs	58,749	6,288	65,037
Notes receivable	-	144,165	144,165
Internal balances	177,310	(177,310)	-
Deferred bond costs, net of accumulated amortization	260,950	70,347	331,297
Capital assets:			
Land	25,662,450	3,418,338	29,080,788
Easements	3,000	-	3,000
Infrastructure	76,122,139	-	76,122,139
Buildings	40,457,186	3,579,748	44,036,934
Improvements other than buildings	10,287,318	28,182,314	38,469,632
Leasehold improvements	145,823	-	145,823
Machinery and equipment	9,700,420	2,577,708	12,278,128
Furniture and fixtures	1,740,096	207,558	1,947,654
Intangibles	1,159,306	268,609	1,427,915
Construction in progress	619,946	421,281	1,041,227
Less: accumulated depreciation and amortization	(79,285,476)	(20,262,068)	(99,547,544)
<b>Total assets</b>	<b>114,934,285</b>	<b>35,255,177</b>	<b>150,189,462</b>
<b>LIABILITIES</b>			
Accounts payable	543,485	1,056,238	1,599,723
Accrued payroll	660,662	60,048	720,710
Accrued liabilities - other	1,163,978	250,678	1,414,656
Accrued interest	270,512	-	270,512
Unearned revenue	4,580,042	-	4,580,042
Retainage payable	5,520	19,038	24,558
Customer deposits and contingent charges	2,082,994	235,483	2,318,477
Noncurrent liabilities:			
Due within one year:			
Compensated absences	449,911	15,934	465,845
Bonds payable	1,323,640	186,360	1,510,000
Due in more than one year:			
Compensated absences	1,589,567	214,977	1,804,544
Note payable	1,767,500	-	1,767,500
Bonds payable	15,058,851	3,177,803	18,236,654
Other postemployment benefits (OPEB)	857,943	113,057	971,000
<b>Total liabilities</b>	<b>30,354,605</b>	<b>5,329,616</b>	<b>35,684,221</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	71,869,483	15,029,325	86,898,808
Unrestricted	12,710,197	14,896,236	27,606,433
<b>Total net assets</b>	<b>\$ 84,579,680</b>	<b>\$ 29,925,561</b>	<b>\$ 114,505,241</b>

See Notes to Financial Statements.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-2**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
Legislative	\$ 623,912	\$ -	\$ -	\$ -	\$ (623,912)	\$ -	\$ (623,912)
Administration	2,259,326	28,242	114,732	-	(2,116,352)	-	(2,116,352)
Town attorney	587,992	-	-	-	(587,992)	-	(587,992)
Parks and recreation	4,363,722	2,848,308	-	-	(1,515,414)	-	(1,515,414)
Finance	1,215,584	465,020	-	-	(750,564)	-	(750,564)
Community development	2,346,085	-	87,289	-	(2,258,796)	-	(2,258,796)
Police	8,548,326	543,607	898,306	5,000	(7,101,413)	-	(7,101,413)
Public works	10,493,058	498,571	864,727	1,233,410	(7,896,350)	-	(7,896,350)
Interest	807,330	-	-	-	(807,330)	-	(807,330)
<b>Total governmental activities</b>	<b>31,245,335</b>	<b>4,383,748</b>	<b>1,965,054</b>	<b>1,238,410</b>	<b>(23,658,123)</b>	<b>-</b>	<b>(23,658,123)</b>
Business-type activities:							
Water and sewer	6,715,723	5,372,350	555,893	314,121	-	(473,359)	(473,359)
Golf course	1,476,713	1,279,442	-	-	-	(197,271)	(197,271)
Chestnut Grove cemetery	698,361	596,106	-	-	-	(102,255)	(102,255)
Downtown parking	77,374	-	-	-	-	(77,374)	(77,374)
<b>Total business-type activities</b>	<b>8,968,171</b>	<b>7,247,898</b>	<b>555,893</b>	<b>314,121</b>	<b>-</b>	<b>(850,259)</b>	<b>(850,259)</b>
<b>Total government</b>	<b>\$ 40,213,506</b>	<b>\$ 11,631,646</b>	<b>\$ 2,520,947</b>	<b>\$ 1,552,531</b>	<b>(23,658,123)</b>	<b>(850,259)</b>	<b>(24,508,382)</b>
General Revenues:							
Taxes:							
General property					9,117,669	-	9,117,669
Business licenses					3,788,311	-	3,788,311
Transient occupancy					2,212,811	-	2,212,811
Local sales					1,488,959	-	1,488,959
Other local taxes					3,472,473	-	3,472,473
Revenues not restricted to specific programs					193,634	-	193,634
Intergovernmental, non-categorical aid					1,827,856	-	1,827,856
Use of money and property					725,320	291,614	1,016,934
Miscellaneous					64,412	559,781	624,193
Transfers					(9,979)	9,979	-
Total general revenues and transfers					22,881,466	861,374	23,742,840
<b>Change in net assets</b>					<b>(776,657)</b>	<b>11,115</b>	<b>(765,542)</b>
Net assets, July 1					85,356,337	29,914,446	115,270,783
Net assets, June 30					\$ 84,579,680	\$ 29,925,561	\$ 114,505,241

See Notes to Financial Statements.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-3**

**Page 1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 10,549,738	\$ 5,820,778	\$ 1,728,964	\$ 18,099,480
Cash with fiscal agent	-	3,407,266	-	3,407,266
Receivables (net of allowance for doubtful accounts):				
Property taxes	4,650,066	-	-	4,650,066
Accounts and other services	617,052	-	-	617,052
Accrued interest	46,366	32,325	4,082	82,773
Due from other governments	830,704	33,182	-	863,886
Inventories	104,545	-	-	104,545
Prepaid costs	58,749	-	-	58,749
Advances to other funds	301,810	-	-	301,810
<b>Total assets</b>	<b>\$ 17,159,030</b>	<b>\$ 9,293,551</b>	<b>\$ 1,733,046</b>	<b>\$ 28,185,627</b>

See Notes to Financial Statements.

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-3**

**Page 2**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 427,103	\$ 116,382	\$ -	\$ 543,485
Accrued payroll	660,662	-	-	660,662
Accrued liabilities - other	842,561	321,417	-	1,163,978
Retainage payable	-	5,520	-	5,520
Deferred revenue	4,964,154	-	-	4,964,154
Deposits	2,082,994	-	-	2,082,994
Advances from other funds	-	124,500	-	124,500
<b>Total liabilities</b>	<b>8,977,474</b>	<b>567,819</b>	<b>-</b>	<b>9,545,293</b>
Fund Balances:				
Nonspendable:				
Inventories	104,545	-	-	104,545
Prepaid costs	58,749	-	-	58,749
Loan to Capital Projects Fund	124,500	-	-	124,500
Loan to Cemetery Fund	177,310	-	-	177,310
Committed:				
Cemetery perpetual care	-	-	1,364,493	1,364,493
Assigned:				
Operating materials, services and supplies	499,980	-	-	499,980
Capital equipment and vehicles	145,380	-	-	145,380
Subsequent years' expenditures for:				
General Fund	801,747	-	-	801,747
Capital Projects Fund	-	8,725,732	-	8,725,732
Other governmental funds	-	-	368,553	368,553
Unassigned:				
General Fund	6,269,345	-	-	6,269,345
<b>Total fund balances</b>	<b>8,181,556</b>	<b>8,725,732</b>	<b>1,733,046</b>	<b>18,640,334</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,159,030</b>	<b>\$ 9,293,551</b>	<b>\$ 1,733,046</b>	<b>\$ 28,185,627</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-4**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

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Total Fund Balances - Governmental Funds	\$	18,640,334
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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	\$	165,897,684	
Less accumulated depreciation and amortization		(79,285,476)	
Net capital assets		86,612,208	

Deferred revenue represents amounts that were not available to fund current expenditures, and, therefore, is not reported as revenue in the governmental funds.		384,112
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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.		260,950
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Long-term liabilities, including bonds payable,  
are not due and payable in the current period and,  
therefore, are not reported as liabilities in the  
governmental funds.

Bonds payable, including unamortized premiums and discounts	(16,382,491)	
Note payable	(1,767,500)	
Compensated absences	(2,039,478)	
Interest payable	(270,512)	
Other postemployment benefits (OPEB)	(857,943)	
		(21,317,924)

<b>Net assets of governmental activities</b>	<b>\$</b>	<b>84,579,680</b>
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See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-5

Page 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 9,121,061	\$ -	\$ -	\$ 9,121,061
Other local taxes	10,962,554	-	-	10,962,554
Permits, privilege fees and regulatory licenses	394,406	-	-	394,406
Fines and forfeitures	525,648	-	-	525,648
Use of money and property	488,549	193,515	43,256	725,320
Charges for services	3,540,621	-	-	3,540,621
Miscellaneous	34,599	11,014	-	45,613
Intergovernmental	4,764,674	150,042	-	4,914,716
<b>Total revenues</b>	<b>29,832,112</b>	<b>354,571</b>	<b>43,256</b>	<b>30,229,939</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	621,830	-	-	621,830
Administration	1,875,307	-	-	1,875,307
Town attorney	580,099	-	-	580,099
Parks and recreation	3,637,139	-	-	3,637,139
Finance	1,159,375	-	-	1,159,375
Community development	2,060,965	-	-	2,060,965
Police	8,164,952	-	-	8,164,952
Public works	8,460,778	-	-	8,460,778
Grants	56,077	-	-	56,077
Capital outlay	-	1,041,901	75,676	1,117,577
<b>Debt service:</b>				
Principal	1,755,837	-	-	1,755,837
Interest and fiscal charges	838,530	-	-	838,530
<b>Total expenditures</b>	<b>29,210,889</b>	<b>1,041,901</b>	<b>75,676</b>	<b>30,328,466</b>
<b>Revenues over (under) expenditures</b>	<b>621,223</b>	<b>(687,330)</b>	<b>(32,420)</b>	<b>(98,527)</b>

See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-5

Page 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 19,995	\$ -	\$ -	\$ 19,995
Issuance of debt	2,500	900,000	-	902,500
Issuance of refunding bonds	1,766,365	-	-	1,766,365
Premium on issuance of debt	92,459	-	-	92,459
Payment to refunded bond escrow agent	(1,760,506)	-	-	(1,760,506)
Transfers in	240,000	287,500	228,277	755,777
Transfers out	(482,500)	(240,000)	(43,256)	(765,756)
<b>Total other financing sources (uses), net</b>	<b>(121,687)</b>	<b>947,500</b>	<b>185,021</b>	<b>1,010,834</b>
<b>Net change in fund balances</b>	<b>499,536</b>	<b>260,170</b>	<b>152,601</b>	<b>912,307</b>
Fund balances, July 1	7,682,020	8,465,562	1,580,445	17,728,027
Fund balances, June 30	\$ 8,181,556	\$ 8,725,732	\$ 1,733,046	\$ 18,640,334

**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, 2011**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ 912,307	
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	\$ 920,817	
Donated capital assets	251,315	
Less depreciation and amortization expense	(3,462,996)	
Excess of depreciation and amortization over capital outlay		(2,290,864)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(76,274)
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		(22,592)
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:		
Issuance of refunding bonds	(1,766,365)	
General obligation debt	(902,500)	
Premium on issuance of debt	(92,459)	
Payment to refunded bond escrow agent	1,760,506	
Principal repayments:		
General obligation debt	1,755,837	
		755,019
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	(3,672)	
Compensated absences	42,366	
Other postemployment benefits (OPEB)	(127,819)	
Capitalized financing costs	49,579	
Amortization of premium, discounts and financing costs	(14,707)	
		(54,253)
<b>Change in net assets of governmental activities</b>	<b>\$ (776,657)</b>	

See Notes to Financial Statements.



## TOWN OF HERNDON, VIRGINIA

Exhibit A-7  
Page 1STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 9,197,970	\$ 9,197,970	\$ 9,121,061	\$ (76,909)
Other local taxes	10,166,620	10,166,620	10,962,554	795,934
Permits, privilege fees and regulatory licenses	380,100	380,100	394,406	14,306
Fines and forfeitures	628,170	628,170	525,648	(102,522)
Use of money and property	815,900	815,900	488,549	(327,351)
Charges for services	3,355,100	3,355,100	3,540,621	185,521
Miscellaneous	53,350	78,350	34,599	(43,751)
Intergovernmental	6,318,170	6,424,824	4,764,674	(1,660,150)
<b>Total revenues</b>	<b>30,915,380</b>	<b>31,047,034</b>	<b>29,832,112</b>	<b>(1,214,922)</b>
Expenditures:				
Current:				
Legislative	590,760	630,645	621,830	(8,815)
Administration	1,847,940	1,948,651	1,875,307	(73,344)
Town attorney	460,130	614,131	580,099	(34,032)
Parks and recreation	3,639,290	3,684,016	3,637,139	(46,877)
Finance	1,204,410	1,236,360	1,159,375	(76,985)
Community development	2,194,400	2,336,844	2,060,965	(275,879)
Police	8,279,780	8,356,189	8,164,952	(191,237)
Public works	8,615,520	9,479,684	8,460,778	(1,018,906)
Grants	-	1	56,077	56,076
Debt Service:				
Principal	1,741,053	1,551,053	1,755,837	204,784
Interest and fiscal charges	784,797	974,797	838,530	(136,267)
<b>Total expenditures</b>	<b>29,358,080</b>	<b>30,812,371</b>	<b>29,210,889</b>	<b>(1,601,482)</b>
<b>Revenues over expenditures</b>	<b>1,557,300</b>	<b>234,663</b>	<b>621,223</b>	<b>386,560</b>

See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-7

Page 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 21,000	\$ 21,000	\$ 19,995	\$ (1,005)
Issuance of debt	2,140,200	2,140,200	2,500	(2,137,700)
Issuance of refunding bonds	-	-	1,766,365	1,766,365
Premium on issuance of debt	-	-	92,459	92,459
Payment to refunded bond escrow agent	-	-	(1,760,506)	(1,760,506)
Transfers in	290,000	290,000	240,000	(50,000)
Transfers out	(4,208,500)	(4,208,500)	(482,500)	3,726,000
<b>Total other financing uses, net</b>	<b>(1,757,300)</b>	<b>(1,757,300)</b>	<b>(121,687)</b>	<b>1,635,613</b>
<b>Net change in fund balance</b>	<b>(200,000)</b>	<b>(1,522,637)</b>	<b>499,536</b>	<b>2,022,173</b>
Fund balance, July 1	200,000	1,522,637	7,682,020	6,159,383
Fund balance, June 30	\$ -	\$ -	\$ 8,181,556	\$ 8,181,556

## TOWN OF HERNDON, VIRGINIA

Exhibit A-8

Page 1

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	Business-type Activities - Enterprise Funds				Totals
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
<b>ASSETS</b>					
Current Assets:					
Cash, cash equivalents and temporary cash investments	\$ 13,514,551	\$ 995,386	\$ 545,167	\$ 428,473	\$ 15,483,577
Receivables (net of allowance for doubtful accounts):					
Accounts and other services	1,184,204	2,217	855	12,714	1,199,990
Accrued interest	50,134	4,497	3,066	12,172	69,869
Inventories	39,075	25,688	-	-	64,763
Prepaid costs	-	-	5,288	1,000	6,288
Current notes receivable	-	-	-	33,887	33,887
<b>Total current assets</b>	<b>14,787,964</b>	<b>1,027,788</b>	<b>554,376</b>	<b>488,246</b>	<b>16,858,374</b>
Noncurrent Assets:					
Notes receivable (net of allowance for doubtful accounts)	-	-	-	110,278	110,278
Deferred bond costs, net of accumulated amortization	-	28,379	41,968	-	70,347
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	23,763,377	2,514,003	1,444,889	460,045	28,182,314
Machinery and equipment	1,631,444	866,526	79,738	-	2,577,708
Furniture and fixtures	194,920	5,918	6,720	-	207,558
Intangibles	268,609	-	-	-	268,609
Construction in progress	31,182	390,099	-	-	421,281
Less accumulated depreciation and amortization	(15,612,481)	(3,486,603)	(738,123)	(424,861)	(20,262,068)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>10,477,051</b>	<b>4,228,245</b>	<b>2,774,744</b>	<b>913,448</b>	<b>18,393,488</b>
<b>Total noncurrent assets</b>	<b>10,477,051</b>	<b>4,256,624</b>	<b>2,816,712</b>	<b>1,023,726</b>	<b>18,574,113</b>
<b>Total assets</b>	<b>25,265,015</b>	<b>5,284,412</b>	<b>3,371,088</b>	<b>1,511,972</b>	<b>35,432,487</b>

See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-8  
Page 2STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 924,670	\$ 121,725	\$ 9,843	\$ -	\$ 1,056,238
Accrued payroll	23,441	26,144	10,463	-	60,048
Accrued liabilities - other	194,973	18,354	37,351	-	250,678
Compensated absences	7,911	4,939	3,084	-	15,934
Retainage payable	-	19,038	-	-	19,038
Deposits	235,483	-	-	-	235,483
Advances from other funds	-	-	177,310	-	177,310
Current general obligation bonds payable	-	83,044	103,316	-	186,360
<b>Total current liabilities</b>	<b>1,386,478</b>	<b>273,244</b>	<b>341,367</b>	<b>-</b>	<b>2,001,089</b>
Noncurrent Liabilities:					
Compensated absences	70,393	106,986	37,598	-	214,977
Other postemployment benefits	61,247	34,998	16,812	-	113,057
Long-term general obligation bonds payable, net	-	1,234,973	1,942,830	-	3,177,803
<b>Total noncurrent liabilities</b>	<b>131,640</b>	<b>1,376,957</b>	<b>1,997,240</b>	<b>-</b>	<b>3,505,837</b>
<b>Total liabilities</b>	<b>1,518,118</b>	<b>1,650,201</b>	<b>2,338,607</b>	<b>-</b>	<b>5,506,926</b>
Net Assets:					
Invested in capital assets, net of related debt	10,477,051	2,910,228	728,598	913,448	15,029,325
Unrestricted	13,269,846	723,983	303,883	598,524	14,896,236
<b>Total net assets</b>	<b>\$ 23,746,897</b>	<b>\$ 3,634,211</b>	<b>\$ 1,032,481</b>	<b>\$ 1,511,972</b>	<b>\$ 29,925,561</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit A-9**

**Page 1**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds				Totals
	Major Funds			Nonmajor Fund	
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
Operating revenues:					
Sale of water	\$ 2,786,573	\$ -	\$ -	\$ -	\$ 2,786,573
Sewer service charges	2,517,078	-	-	-	2,517,078
Late payment charges	56,790	-	-	-	56,790
Sale of commodities	11,909	-	-	-	11,909
Rents and leases	410,791	39,684	-	-	450,475
Greens fees	-	891,951	-	-	891,951
Golf cart revenue	-	258,554	-	-	258,554
Golf pro shop sales	-	66,129	-	-	66,129
Driving range fees	-	62,808	-	-	62,808
Cemetery sites	-	-	332,770	-	332,770
Interment services	-	-	138,495	-	138,495
Merchandise sales	-	-	124,841	-	124,841
Miscellaneous	30,619	21,720	30,065	26,902	109,306
<b>Total operating revenues</b>	<b>5,813,760</b>	<b>1,340,846</b>	<b>626,171</b>	<b>26,902</b>	<b>7,807,679</b>
Operating expenses:					
Finance	210,448	-	-	-	210,448
Water main maintenance	2,056,542	-	-	-	2,056,542
Sewer service charge	3,256,939	-	-	-	3,256,939
Contractual services	423,190	-	-	-	423,190
Golf course operations	-	642,199	-	-	642,199
Golf course club house	-	493,244	-	-	493,244
Cemetery operations	-	-	438,723	-	438,723
Downtown parking	-	-	-	47,079	47,079
Nondepartmental:					
Depreciation and amortization	716,985	208,337	116,205	30,295	1,071,822
Miscellaneous	51,619	53,152	20,404	-	125,175
<b>Total operating expenses</b>	<b>6,715,723</b>	<b>1,396,932</b>	<b>575,332</b>	<b>77,374</b>	<b>8,765,361</b>
<b>Operating income (loss)</b>	<b>(901,963)</b>	<b>(56,086)</b>	<b>50,839</b>	<b>(50,472)</b>	<b>(957,682)</b>

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, 2011**

	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	\$ 238,073	\$ 29,025	\$ 9,036	\$ 15,480	\$ 291,614
Availability fees	555,893	-	-	-	555,893
Interest expense	-	(79,781)	(123,029)	-	(202,810)
<b>Total nonoperating revenues (expenses), net</b>	793,966	(50,756)	(113,993)	15,480	644,697
<b>Loss before capital contributions and transfers</b>	(107,997)	(106,842)	(63,154)	(34,992)	(312,985)
Capital contributions	314,121	-	-	-	314,121
Transfers in	-	-	43,256	-	43,256
Transfers out	-	-	(33,277)	-	(33,277)
<b>Change in net assets</b>	206,124	(106,842)	(53,175)	(34,992)	11,115
Total net assets, July 1	23,540,773	3,741,053	1,085,656	1,546,964	29,914,446
Total net assets, June 30	\$ 23,746,897	\$ 3,634,211	\$ 1,032,481	\$ 1,511,972	\$ 29,925,561

## TOWN OF HERNDON, VIRGINIA

Exhibit A-10  
Page 1STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				
	Major Funds			Nonmajor Fund	Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 5,793,088	\$ 1,340,643	\$ 626,171	\$ 15,045	\$ 7,774,947
Payments to suppliers for goods and services	(5,341,066)	(312,833)	(186,718)	(47,079)	(5,887,696)
Payments to employees for services	(803,227)	(772,923)	(286,887)	-	(1,863,037)
<b>Net cash provided by (used in) operating activities</b>	<b>(351,205)</b>	<b>254,887</b>	<b>152,566</b>	<b>(32,034)</b>	<b>24,214</b>
Cash Flows From Noncapital Financing Activities:					
Transfers in from other funds	-	-	43,256	-	43,256
Transfers out to other funds	-	-	(33,277)	-	(33,277)
Repayment of advances from other funds	-	-	(12,665)	-	(12,665)
Interest paid on advances from other funds	-	-	(8,074)	-	(8,074)
<b>Net cash used in noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>(10,760)</b>	<b>-</b>	<b>(10,760)</b>
Cash Flows From Capital and Related Financing Activities:					
Water and sewer tap fees/contributions from local sources	555,893	-	-	-	555,893
Acquisition and construction of capital assets	(383,197)	(561,244)	-	-	(944,441)
Principal paid on bonds	-	(87,059)	(107,104)	-	(194,163)
Interest paid on bonds	-	(59,284)	(99,529)	-	(158,813)
Principal paid to refunded bond escrow agent	-	(789,192)	(455,302)	-	(1,244,494)
Proceeds from sale of refunding bonds	-	791,819	456,816	-	1,248,635
Deferred charges, bond issuance costs	-	41,440	23,908	-	65,348
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>172,696</b>	<b>(663,520)</b>	<b>(181,211)</b>	<b>-</b>	<b>(672,035)</b>
Cash Flows From Investing Activities:					
Principal received on note receivable	-	-	-	59,679	59,679
Interest received on note receivable	-	-	-	16,746	16,746
Interest received on investment securities	232,601	29,082	9,036	-	270,719
<b>Net cash provided by investing activities</b>	<b>232,601</b>	<b>29,082</b>	<b>9,036</b>	<b>76,425</b>	<b>347,144</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>54,092</b>	<b>(379,551)</b>	<b>(30,369)</b>	<b>44,391</b>	<b>(311,437)</b>
Cash and Cash Equivalents:					
Beginning	13,460,459	1,374,937	575,536	384,082	15,795,014
Ending	\$ 13,514,551	\$ 995,386	\$ 545,167	\$ 428,473	\$ 15,483,577

See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

Exhibit A-10  
Page 2STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds									
	Major Funds			Nonmajor Fund		Totals				
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Downtown Parking Enterprise						
Cash Flows From Operating Activities:										
Operating income (loss)	\$	(901,963)	\$	(56,086)	\$	50,839	\$	(50,472)	\$	(957,682)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation and amortization		716,985		208,337		116,205		30,295		1,071,822
Changes in assets and liabilities:										
(Increase) decrease in:										
Receivables		(28,928)		(203)		-		(11,857)		(40,988)
Inventories		11,962		(5,368)		-		-		6,594
Prepaid costs and other assets		-		-		(3,572)		-		(3,572)
Increase (decrease) in:										
Accounts payable, accrued liabilities and compensated absences		(157,517)		108,207		(10,906)		-		(60,216)
Deposits		8,256		-		-		-		8,256
<b>Net cash provided by (used in) operating activities</b>	<b>\$</b>	<b>(351,205)</b>	<b>\$</b>	<b>254,887</b>	<b>\$</b>	<b>152,566</b>	<b>\$</b>	<b>(32,034)</b>	<b>\$</b>	<b>24,214</b>
Schedule of Noncash Capital and Related Financing Activities										
Developer donated assets	\$	314,121	\$	-	\$	-	\$	-	\$	314,121



TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2011  
(With Comparative Amounts for 2010)

	<u>Pension Trust Fund</u> <u>Police Supplemental</u> <u>Retirement Pension</u> <u>Trust Fund</u>	
	<u>2011</u>	<u>2010</u>
<hr/>		
<b>ASSETS</b>		
Mutual funds	\$ 2,230,258	\$ 1,854,681
Contributions receivable	5,018	4,955
	<hr/>	<hr/>
<b>Total assets</b>	<b>2,235,276</b>	<b>1,859,636</b>
 <b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 2,235,276</u>	<u>\$ 1,859,636</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 Year Ended June 30, 2011  
 (With Comparative Amounts for 2010)

	Pension Trust Fund Police Supplemental Retirement Pension Trust Fund	
	2011	2010
Additions:		
Employer contributions	\$ 129,279	\$ 133,510
<b>Total contributions</b>	<b>129,279</b>	<b>133,510</b>
Investment income:		
Net increase in the fair market value of investments	368,030	177,492
<b>Total additions, net</b>	<b>497,309</b>	<b>311,002</b>
Deductions:		
Benefit payments	121,669	250,741
<b>Change in net assets</b>	<b>375,640</b>	<b>60,261</b>
Net assets, July 1	1,859,636	1,799,375
Net assets, June 30	\$ 2,235,276	\$ 1,859,636

See Notes to Financial Statements.

## TOWN OF HERNDON, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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

##### A. Reporting Entity

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

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

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

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

##### B. Basis of Presentation, Basis of Accounting

###### **Basis of Presentation**

*Government-wide Statements:* The Statement of Net 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.

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

---

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

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

**Basis of Presentation** (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

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

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

The town reports the following major governmental funds:

**General Fund**

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

**Capital Projects Fund**

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

The town reports the following major enterprise funds:

**Water and Sewer Fund**

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

**Golf Course Fund**

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

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

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

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

**Basis of Presentation** (Continued)

Chestnut Grove Cemetery Fund

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

Additionally, the town reports the following fund types:

Police Supplemental Retirement Pension Trust Fund

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

**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.

## TOWN OF HERNDON, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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

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

###### **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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The town has elected not to follow private-sector guidance.

##### 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, 2011, budget revisions to governmental funds were made which resulted in a \$1,454,291 increase in budgeted expenditures.

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

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

## TOWN OF HERNDON, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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

##### D. Assets, Liabilities and Equity

###### (1) Deposits and Investments

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

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

###### (2) Receivables and Payables

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

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

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

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

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

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

D. Assets, Liabilities and Equity (Continued)

(2) Receivables and Payables (Continued)

The town levies real estate taxes as of January 1 on all real property in the town on a calendar year basis at a rate enacted by town Council. The levies are based on the assessed value of property as determined by the Director of Real Estate Assessments of Fairfax County. All property is assessed at 100 percent of appraised value and reassessed each year as of January 1. Real estate taxes are collected in equal installments due July 28 and December 5. Lien dates are 190 days after the due date. The tax rate during 2010 per \$100 of assessed value was \$.2675. 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 2011.

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

(3) Inventories

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

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

(4) Prepaid Items

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

(5) Restricted Cash

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



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

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

D. Assets, Liabilities and Equity (Continued)

(6) Capital Assets

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

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

Capital assets and infrastructure are defined by the town as assets with an initial, individual cost of more than \$5,000 and \$20,000, respectively, and an estimated useful life in excess of two years.

The town has included all infrastructure assets of the town, including assets acquired before June 30, 1980.

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

The town's intangible assets consist of land easements and software, which were previously recorded and classified as machinery and equipment. Land easements have indefinite useful lives and thus are not subject to amortization.

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

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

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

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

D. Assets, Liabilities and Equity (Continued)

(7) Compensated Absences

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

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

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

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

(8) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net 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.

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

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

D. Assets, Liabilities and Equity (Continued)

(9) Fund Equity

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

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

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

*Committed fund balance* – amounts constrained to specific purposes by the town council. To be reported as committed, amounts cannot be used for any other purpose unless the town Council takes the action to remove or change the constraint.

*Assigned* – amounts constrained by the town's intent but are neither restricted or committed.

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

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

(10) Encumbrances

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

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.

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

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**Note 2.       Deposits and Investments**

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

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

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

**Investments:** The State Treasurer's Local Government Investment Pool (LGIP) is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

**Investment Policy:**

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

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

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

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

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

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

**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, 2011, 16% of the portfolio was invested in "AA+" U. S. Agency Securities, 56% was invested in "AAA" U. S. Agency Securities, 3% was invested in "AA-" U. S. Agency Securities, 19% was invested in "AAAm" rated Money Market Funds, and 6% was invested in an unrated Money Market Fund. All credit ratings presented in this paragraph are Standard & Poor's ratings.

Subsequent to year end, Standard & Poor's downgraded the credit quality of the debt of the United States to AA+ which will have a rating impact on most of the town's investments. Fitch Ratings and Moody's Investors Services have affirmed their AAA rating for the United States but Moody's has left the debt on "outlook negative."

**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, 2011, 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	50%
Fixed Income	16%

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

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

**Interest Rate Risk:**

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

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

	Fair Value	Investment Maturities (in years)		
		Less Than 1 Year	1 – 5 Years	5 – 10 Years
U. S. Agencies	\$ 22,529,872	\$ 2,879,744	\$ 13,899,710	\$ 5,750,418

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, 2011 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	\$ 4,650,066	\$ -	\$ -	\$ -	\$ -	\$ 4,650,066
Meals tax	101,650	-	-	-	-	101,650
Transient occupancy tax	219,651	-	-	-	-	219,651
Fines and forfeitures	91,852	-	-	-	-	91,852
Trade and other accounts	209,174	1,421,407	2,217	1,530	12,714	1,647,042
Gross receivables	5,272,393	1,421,407	2,217	1,530	12,714	6,710,261
Less allowance for uncollectible accounts	(5,275)	(237,203)	-	(675)	-	(243,153)
Net receivables	\$ 5,267,118	\$ 1,184,204	\$ 2,217	\$ 855	\$ 12,714	\$ 6,467,108

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

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**Note 3. Receivables (Continued)**

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

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 45,850	\$ -
Advance billing of 2011-2012 taxes	-	4,580,042
Intergovernmental	90,640	-
Other	247,622	-
	<u>\$ 384,112</u>	<u>\$ 4,580,042</u>

**Note 4. Due From Other Governments**

Amounts due from other governments include the following:

General Fund:	
Federal government	<u>\$ 101,099</u>
Commonwealth of Virginia	<u>549,505</u>
Other Local:	
County of Fairfax	111,095
Northern Virginia Cigarette Tax Board	<u>69,005</u>
	<u>180,100</u>
<b>Total General Fund</b>	<u>830,704</u>
Capital Projects Fund:	
Federal government	<u>33,182</u>
<b>Total Capital Projects Fund</b>	<u>33,182</u>
<b>Total due from other governments</b>	<u>\$ 863,886</u>

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

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**Note 5. Notes Receivable**

Notes receivable as of June 30, 2011 consist of the following:

	Downtown Parking Enterprise Fund
	<hr/>
3.875% note, due in annual installments of \$1,851, plus interest through June 2013	\$ 3,701
5.36% note, due in annual installments of \$1,851, plus interest through February 2015	2,347
4.715% note, due in annual installments of \$2,036, plus interest through March 2017	12,219
4.27% note, due in annual installments of \$16,291, plus interest through October 2017	114,040
4.515% note, due in annual installments of \$11,858, plus interest through October 2023	<hr/> 154,148
	286,455
Less current maturities	(33,887)
Less allowance for uncollectible accounts	<hr/> (142,290)
 Long-term portion, net	 <hr/> <hr/> \$ 110,278



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

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 25,609,211	\$ -	\$ 53,239	\$ 25,662,450
Easements	-	-	3,000	3,000
Construction in progress	1,517,840	561,452	(1,459,346)	619,946
<b>Total capital assets, not being depreciated or amortized</b>	<b>27,127,051</b>	<b>561,452</b>	<b>(1,403,107)</b>	<b>26,285,396</b>
Capital assets, being depreciated and amortized:				
Infrastructure	75,721,315	251,315	149,509	76,122,139
Buildings	39,412,386	-	1,044,800	40,457,186
Improvements other than buildings	10,125,707	-	161,611	10,287,318
Machinery and equipment	9,578,190	341,340	(219,110)	9,700,420
Intangibles	1,141,281	18,025	-	1,159,306
Leasehold improvements	145,823	-	-	145,823
Furniture and fixtures	1,740,096	-	-	1,740,096
<b>Total capital assets being depreciated and amortized</b>	<b>137,864,798</b>	<b>610,680</b>	<b>1,136,810</b>	<b>139,612,288</b>
Less accumulated depreciation and amortization for:				
Infrastructure	51,724,863	1,488,296	-	53,213,159
Buildings	10,314,449	1,044,889	-	11,359,338
Improvements other than buildings	5,550,894	362,500	-	5,913,394
Machinery and equipment	6,661,539	416,028	(190,023)	6,887,544
Intangibles	904,424	71,042	-	975,466
Leasehold improvements	145,823	-	-	145,823
Furniture and fixtures	710,511	80,241	-	790,752
<b>Total accumulated depreciation and amortization</b>	<b>76,012,503</b>	<b>3,462,996</b>	<b>(190,023)</b>	<b>79,285,476</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>61,852,295</b>	<b>(2,852,316)</b>	<b>1,326,833</b>	<b>60,326,812</b>
Governmental activities capital assets, net	\$ 88,979,346	\$ (2,290,864)	\$ (76,274)	\$ 86,612,208

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

Governmental activities:	
Legislative	\$ 440
Administration	282,347
Parks and Recreation	709,783
Finance	40,371
Community Development	40,446
Police	339,680
Public Works	2,049,929
<b>Total depreciation and amortization expense – governmental activities</b>	<b>\$ 3,462,996</b>

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

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

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 3,418,338	\$ -	\$ -	\$ 3,418,338
Construction in progress	103,530	883,822	(566,071)	421,281
<b>Total capital assets, not being depreciated or amortized</b>	<b>3,521,868</b>	<b>883,822</b>	<b>(566,071)</b>	<b>3,839,619</b>
Capital assets, being depreciated and amortized:				
Buildings	3,579,748	-	-	3,579,748
Improvements other than buildings	27,302,121	314,122	566,071	28,182,314
Machinery and equipment	2,517,090	60,618	-	2,577,708
Furniture and fixtures	207,558	-	-	207,558
Intangibles	268,609	-	-	268,609
<b>Total capital assets being depreciated and amortized</b>	<b>33,875,126</b>	<b>374,740</b>	<b>566,071</b>	<b>34,815,937</b>
Less accumulated depreciation and amortization:				
Buildings	1,153,325	122,173	-	1,275,498
Improvements other than buildings	15,671,873	821,427	-	16,493,300
Machinery and equipment	2,014,762	101,036	-	2,115,798
Furniture and fixtures	204,225	336	-	204,561
Intangibles	150,306	22,605	-	172,911
<b>Total accumulated depreciation and amortization</b>	<b>19,194,491</b>	<b>1,067,577</b>	<b>-</b>	<b>20,262,068</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>14,680,635</b>	<b>(692,837)</b>	<b>566,071</b>	<b>14,553,869</b>
Business-type activities capital assets, net	\$ 18,202,503	\$ 190,985	\$ -	\$ 18,393,488
Business-type activities:				
Water and Sewer			\$ 716,985	
Golf Course			206,733	
Chestnut Grove Cemetery			113,564	
Downtown Parking Enterprise			30,295	
<b>Total depreciation and amortization expense - business-type activities</b>			<b>\$ 1,067,577</b>	

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

**Note 7. Long-Term Obligations**

The following is a summary of long-term liability activity for the year ended June 30, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 18,009,369	\$ 1,766,365	\$ 3,516,343	\$ 16,259,391	\$ 1,323,640
Note payable	865,000	902,500	-	1,767,500	-
Total	18,874,369	2,668,865	3,516,343	18,026,891	1,323,640
Compensated absences	2,081,844	1,828,167	1,870,533	2,039,478	449,911
Governmental activities long-term liabilities	20,956,213	4,497,032	5,386,876	20,066,369	<u>\$ 1,773,551</u>
Plus deferred amount for bond premium	105,248	92,459	10,880	186,827	
Less deferred amount for bond discounts	(68,610)	-	(4,883)	(63,727)	
	<u>\$ 20,992,851</u>	<u>\$ 4,589,491</u>	<u>\$ 5,392,873</u>	<u>\$ 20,189,469</u>	

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

Year Ending June 30,	General Long-Term Debt			
	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2012	\$ 1,323,640	\$ 651,155	\$ -	\$ 32,176
2013	1,365,606	597,802	137,500	31,460
2014	1,401,721	542,336	135,000	26,209
2015	920,509	493,512	135,000	23,860
2016	946,623	453,546	135,000	21,511
2017-2021	5,421,671	1,651,969	675,000	72,320
2022-2026	4,226,611	553,799	550,000	15,327
2027-2030	653,010	58,977	-	-
	<u>\$ 16,259,391</u>	<u>\$ 5,003,096</u>	<u>\$ 1,767,500</u>	<u>\$ 222,863</u>

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

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

**General Obligation Bonds**

Refunding bonds issued February 15, 2002, interest at 4.00% payable semi-annually, annual maturity from \$510,000 to \$515,000 through August 2013	\$ 1,540,000
Tax-exempt public improvement bonds issued December 1, 2003, interest at 2.77% 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 4.77% to 5.02% payable semi-annually, annual maturity from \$365,000 to \$420,000 through August 2014	1,570,000
Tax-exempt public improvement bonds issued December 1, 2005, interest at 4.0% to 4.5% payable semi-annually, annual maturity from \$195,000 to \$350,000 through August 2025	3,980,000
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	430,310
Tax-exempt Build America and Recovery Zone bonds issued March 1, 2010, interest at 2.00% to 6.07% payable semi-annually, annual maturity \$91,300 to \$154,750 through February 2030	2,296,150
Refunding bonds issued December 7, 2010, interest at 3% to 5.25%, payable semi-annually, annual maturity from \$245,000 to \$350,000 through February 2021	<u>1,742,931</u>
<b>Total general obligation bonds</b>	<b><u>\$ 16,259,391</u></b>

**Note Payable:**

\$1,765,000 VML/VACO Finance Program note payable, payable annually, plus interest, beginning in fiscal year 2012, annual maturity from \$135,000 to \$140,000 through July 2024. Interest payments at a variable rate beginning in fiscal year 2012.	\$ 1,765,000
\$100,000 VRA loan note payable, advances totaling \$2,500 through fiscal year 2011, payable semi-annually, plus interest beginning in fiscal year 2013, annual maturity from \$3,335 to \$6,527	<u>2,500</u>
	<b><u>\$ 1,767,500</u></b>

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Serial bonds	\$ 3,420,631	\$ 1,248,635	\$ 1,438,657	\$ 3,230,609	\$ 186,360
Compensated absences	225,249	131,946	126,284	230,911	15,934
Plus deferred amount for bond premium	76,289	65,348	8,083	133,554	-
Less deferred amount for bond discount	(18,137)	-	(18,137)	-	-
Business-type activities long-term liabilities	\$ 3,704,032	\$ 1,445,929	\$ 1,554,887	\$ 3,595,074	\$ 202,294

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2012	\$ 186,360	\$ 135,730
2013	194,394	129,646
2014	203,279	123,108
2015	209,491	115,483
2016	218,377	105,831
2017-2021	1,238,329	385,422
2022-2026	708,389	160,461
2027-2030	271,990	18,311
	<u>\$ 3,230,609</u>	<u>\$ 1,173,992</u>

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

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

	Golf Course Fund Long-Term Debt	Cemetery Fund Long-Term Debt
Serial bonds:		
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	\$ -	\$ 1,514,690
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	483,850	-
General Obligation Refunding Bond, issued December 7, 2010, to refund the outstanding Public Improvement Bonds issued in 2001; interest at 2.50% to 5.25%, payable semi-annually, annual maturity from \$6,061 to \$91,919 through February 2021	781,314	450,755
	\$ 1,265,164	\$ 1,965,445

**Advanced Refunding**

The town issued \$3,015,000 of general obligation bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,005,000 of general obligation bonds. As a result the refunded bonds were considered to be defeased and the liability was removed from the governmental activities column of the Statement of Net Assets. The reacquisition price and the net carrying amount of the old debt were approximately equal and, therefore, a deferred gain or loss was considered insignificant for inclusion. This advanced refunding was undertaken to reduce total debt service payments over the next 11 years by \$218,037 and resulted in an economic gain of \$150,541. Furthermore, in June 2011, the defeased bonds were called and, therefore, no longer held in escrow at June 30, 2011.

The town's available legal debt margin mandated by the Commonwealth of Virginia is \$328,121,001, which is computed based upon 10% of the assessed value of real estate subject to taxation less applicable bonded debt.

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

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**Note 8.      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 are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

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

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

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**Note 8. Retirement and Pension Plans (Continued)**

A. Plan Description (Continued)

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at [www.varetire.org/pdf/publications/2010-annual-report.pdf](http://www.varetire.org/pdf/publications/2010-annual-report.pdf) or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the town. In addition, the town is required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The town's contribution rate for the fiscal year ended 2011 was 11.93% of annual covered payroll.



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

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**Note 8. Retirement and Pension Plans (Continued)**

C. Annual Pension Cost (APC)

For fiscal year 2011, the town's annual pension cost of \$1,753,052 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, 2009	\$ 1,826,884	100%	\$ -
June 30, 2010	1,812,947	100%	-
June 30, 2011	1,753,052	100%	-

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7%, (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, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the Plan was 84% funded. The actuarial accrued liability for benefits was \$54,225,499, and the actuarial value of assets was \$45,557,167, resulting in an UAAL of \$8,668,332. The covered payroll (annual payroll of active employees covered by the Plan) was \$15,028,251, and ratio of the UAAL to the covered payroll was 58%.

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.

For the June 30, 2010 actuarial valuation, there was a change in the assumed investment rate of return, which was reduced from 7.5% to 7.0%. This change will have affected the amounts reported in the Schedule of Funding Progress.

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

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**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 Plan does not issue a stand-alone financial report.

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

The town's payroll for employees covered by the Plan for the year ended June 30, 2011 was approximately \$5,282,633, which was 32% of the total town payroll of \$16,406,011. There were 75 participants in the Plan at June 30, 2011. 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 \$129,279 for the fiscal year ended June 30, 2011. Data concerning the value of vested and nonvested benefits as of June 30, 2011 is as follows:

Vested benefits	\$ 2,145,234
Nonvested benefits	90,042
	<u>\$ 2,235,276</u>

**Vesting**

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

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

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

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**Note 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, 2011, 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, 2011 and 2010 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	2011	2010
Mutual Funds:		
Dimensional U. S. Large Value	\$ 131,406	\$ 112,622
Federated Capital Preservation	373,815	345,130
Janus Twenty Fund, Inc.	312,136	264,729
Vanguard Index Trust 500 Index	538,262	448,640
Vanguard Bond Index FD Interm.	387,939	352,300
Vanguard Mid-Cap Growth Index Inv	218,738	145,473
Other Investments Individually Less Than 5% of Plan Assets	267,962	185,787
	<u>\$ 2,230,258</u>	<u>\$ 1,854,681</u>

## TOWN OF HERNDON, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 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

The town had a roll forward actuarial valuation of postemployment benefits as of July 1, 2010. 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 \$60,600 and the annual benefit cost is \$205,600. The percentage of annual OPEB cost contributed is 29.47%.

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, 2011, the town has recorded a liability of \$971,000 on the Statement of Net Assets. (\$857,943 governmental activities and \$113,057 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)	\$ 207,000
Interest on net OPEB obligation	33,000
Adjustment to annual required contribution	(34,400)
Annual OPEB cost	205,600
Estimated contributions made	(60,600)
Increase in net OPEB obligation	145,000
Net OPEB obligation, beginning of year	826,000
Net OPEB obligation, end of year	<u>\$ 971,000</u>

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

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**Note 9. Other Postemployment Benefits (Continued)**

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

**Trend Information**

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net Pension Obligation
June 30, 2011	\$ 205,600	29.47%	\$ 971,000
June 30, 2010	601,000	32.95%	826,000
June 30, 2009	569,000	25.66%	423,000

Annual OPEB costs for fiscal years ended June 30, 2010 and 2009 included the estimated cost of the implicit subsidy. It has since been determined that no implicit subsidy exists for this plan.

D. Funding Status and Funding Progress

As of July 1, 2010, the most recent roll forward actuarial valuation date, the plan was not funded. The actuarial value of assets was \$-0-, resulting in an unfunded actuarial liability (UAAL) of \$2,033,900 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, 2010	\$ -	\$ 2,033,900	\$ 2,033,900	0.00%	\$ 15,625,249	13.02%
July 1, 2008	-	5,284,000	5,284,000	0.00%	14,781,700	35.75%

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

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**Note 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, 2010 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include a four 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.

For the July 1, 2010 actuarial valuation, there was a change in the assumed investment rate of return, which was reduced from 4.25% to 4.00%. This change will have affected the amounts reported in the Schedule of Funding Progress.

**Note 10. Interfund Receivables and Payables**

Interfund balances as of June 30, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: Chestnut Grove Cemetery	<u>\$ 177,310</u>
General	Governmental: Capital Projects	<u>\$ 124,500</u>
	Total	<u><u>\$ 301,810</u></u>

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

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

**Note 11. Interfund Transfers**

A summary of interfund transfer activity is presented as follows:

	Transfer from Fund				Total Transferred In
	Governmental Activities			Business-type Activity	
	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Chestnut Grove Cemetery Fund	
Transfer To Fund:					
Primary government:					
Governmental activities:					
General Fund	\$ -	\$ 240,000	\$ -	\$ -	\$ 240,000
Capital Projects Fund	287,500	-	-	-	287,500
Nonmajor Governmental Fund	195,000	-	-	33,277	228,277
Business-type activities:					
Chestnut Grove Cemetery Fund	-	-	43,256	-	43,256
<b>Total Transferred Out</b>	<b>\$ 482,500</b>	<b>\$ 240,000</b>	<b>\$ 43,256</b>	<b>\$ 33,277</b>	<b>\$ 799,033</b>

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

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

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**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 \$191,000 in the General Fund in 2011.

Future rental commitments under noncancelable operating leases at June 30, 2011 are approximately \$847,500 for the year ended June 30, 2011. The town and the lessor mutually agreed to terminate the lease as of September 30, 2011.

**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, 2011 and no indication of potential town liability has been determined.

**Note 16. Risk Management**

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

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

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



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

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**Note 17. Pending GASB Statements**

At June 30, 2011, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the town. The statements which might impact the town are as follows:

GASB Statement No. 61, *Financial Reporting Entity Omnibus*, will result in the financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. Statement No. 61 will be effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2011.

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



**TOWN OF HERNDON, VIRGINIA**  
**[www.herndon-va.gov](http://www.herndon-va.gov)**

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HERNDON, VIRGINIA**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2010	\$ 45,557,167	\$ 54,225,499	\$ 8,668,332	84.01%	\$ 15,028,251	57.68%
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%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 2,033,900	\$ 2,033,900	0.00%	\$ 15,625,249	13.02%
July 1, 2008	-	5,284,000	5,284,000	0.00%	14,781,700	35.75%

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

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 207,000	29.28%
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 committed by legislative imposition by the Herndon town Council to expenditure for particular purposes. The town's special revenue fund is the Chestnut Grove Cemetery Perpetual Care Fund.

### **Capital Projects Fund**

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

**TOWN OF HERNDON, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2011**

**Exhibit B-1**

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 1,360,411	\$ 368,553	\$ 1,728,964
Accrued interest	4,082	-	4,082
<b>Total assets</b>	<b>\$ 1,364,493</b>	<b>\$ 368,553</b>	<b>\$ 1,733,046</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Fund balances:			
Committed to:			
Cemetery perpetual care	1,364,493	-	1,364,493
Subsequent years' expenditures for Information Systems Improvement Fund	-	368,553	368,553
<b>Total fund balances</b>	<b>1,364,493</b>	<b>368,553</b>	<b>1,733,046</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,364,493</b>	<b>\$ 368,553</b>	<b>\$ 1,733,046</b>



**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	Special Revenue Chestnut Grove Cemetery Perpetual Care Fund	Capital Projects Information Systems Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
Revenue from local sources:			
Use of money and property	\$ 43,256	\$ -	\$ 43,256
<b>Total revenues</b>	43,256	-	43,256
Expenditures:			
Capital outlay	-	75,676	75,676
<b>Revenues over (under) expenditures</b>	43,256	(75,676)	(32,420)
Other financing sources (uses):			
Transfers in	33,277	195,000	228,277
Transfers out	(43,256)	-	(43,256)
<b>Total other financing sources (uses), net</b>	(9,979)	195,000	185,021
<b>Net change in fund balances</b>	33,277	119,324	152,601
Fund balances, July 1	1,331,216	249,229	1,580,445
Fund balances, June 30	\$ 1,364,493	\$ 368,553	\$ 1,733,046



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**SUPPLEMENTAL SCHEDULES**

## TOWN OF HERNDON, VIRGINIA

Exhibit B-3

GENERAL FUND  
BALANCE SHEET

June 30, 2011

(With Comparative Amounts for 2010)

	2011	2010
<b>ASSETS</b>		
Cash, cash equivalents and temporary cash investments	\$ 10,549,738	\$ 9,979,634
Receivables (net of allowance for doubtful accounts):		
Property taxes	4,650,066	4,460,188
Accounts and other services	617,052	1,045,112
Accrued interest	46,366	37,154
Due from other governments	830,704	644,430
Inventories	104,545	111,219
Prepaid costs	58,749	58,505
Advances to other funds	301,810	351,975
<b>Total assets</b>	<b>\$ 17,159,030</b>	<b>\$ 16,688,217</b>
<b>LIABILITIES</b>		
Liabilities:		
Accounts payable	\$ 427,103	\$ 371,006
Accrued payroll	660,662	676,829
Accrued liabilities - other	842,561	785,097
Deferred revenue	4,964,154	4,805,340
Deposits	2,082,994	2,367,925
<b>Total liabilities</b>	<b>8,977,474</b>	<b>9,006,197</b>
Fund Balances:		
Nonspendable:		
Inventories	104,545	111,219
Prepaid costs	58,749	58,505
Loan to Capital Projects Fund	124,500	162,000
Loan to Cemetery Fund	177,310	189,975
Assigned to:		
Operating materials, services and supplies	499,980	545,524
Capital equipment and vehicles	145,380	124,903
Subsequent years' expenditures	801,747	659,859
Unassigned	6,269,345	5,830,035
<b>Total fund balances</b>	<b>8,181,556</b>	<b>7,682,020</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,159,030</b>	<b>\$ 16,688,217</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 1GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 8,753,020	\$ 8,753,020	\$ 8,779,641	\$ 26,621
Elderly tax relief exemption	-	-	(70,166)	(70,166)
Public service corporation taxes	392,950	392,950	368,013	(24,937)
Penalties and interest	52,000	52,000	43,573	(8,427)
<b>Total general property taxes</b>	<b>9,197,970</b>	<b>9,197,970</b>	<b>9,121,061</b>	<b>(76,909)</b>
Other local taxes:				
Consumer utility tax	784,100	784,100	797,527	13,427
Right of way use fees	182,870	182,870	162,041	(20,829)
Cigarette tax	414,700	414,700	390,163	(24,537)
Transient occupancy tax	2,094,700	2,094,700	2,212,811	118,111
Bank stock tax	215,590	215,590	340,142	124,552
Cable T.V. franchise fees	152,300	152,300	167,134	14,834
Business licenses tax	3,356,000	3,356,000	3,788,311	432,311
Utility consumption tax	97,000	97,000	86,956	(10,044)
Motor vehicle licenses	366,460	366,460	373,933	7,473
Local sales tax	1,458,550	1,458,550	1,488,959	30,409
Meals tax	1,044,350	1,044,350	1,154,577	110,227
<b>Total other local taxes</b>	<b>10,166,620</b>	<b>10,166,620</b>	<b>10,962,554</b>	<b>795,934</b>
Permits, privilege fees and regulatory licenses:				
Planning fees	62,300	62,300	101,792	39,492
Building inspection fees and permits	293,400	293,400	274,428	(18,972)
Right of way permit fees	24,400	24,400	18,186	(6,214)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>380,100</b>	<b>380,100</b>	<b>394,406</b>	<b>14,306</b>
Fines and forfeitures:				
Court fines and costs	85,000	85,000	88,162	3,162
Court fees - Fairfax County	508,500	508,500	422,781	(85,719)
Court maintenance fees	11,670	11,670	14,094	2,424
Zoning fines	23,000	23,000	611	(22,389)
<b>Total fines and forfeitures</b>	<b>628,170</b>	<b>628,170</b>	<b>525,648</b>	<b>(102,522)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 2GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	\$ 320,000	\$ 320,000	\$ 157,868	\$ (162,132)
Rental income	495,900	495,900	330,681	(165,219)
<b>Total use of money and property</b>	<b>815,900</b>	<b>815,900</b>	<b>488,549</b>	<b>(327,351)</b>
Charges for services:				
Franchise lease	92,590	92,590	95,497	2,907
Commercial refuse collection	11,100	11,100	15,102	4,002
Recycling collection	81,850	81,850	88,452	6,602
Recreation program fees	1,611,970	1,611,970	1,724,768	112,798
Admission fees	476,700	476,700	496,791	20,091
Park operation	10,700	10,700	7,840	(2,860)
Herndon festival	287,300	287,300	335,802	48,502
Concession	29,700	29,700	27,006	(2,694)
Rental income - parks & recreation	92,000	92,000	45,387	(46,613)
Tennis/multi-use facility	194,140	194,140	210,714	16,574
Sale of recyclable materials	2,030	2,030	28,242	26,212
Quasi - external revenue - charges for administration, personnel and other services:				
Chestnut Grove Cemetery fund	13,660	13,660	13,660	-
Golf course fund	28,170	28,170	28,170	-
Water and sewer fund	423,190	423,190	423,190	-
<b>Total charges for services</b>	<b>3,355,100</b>	<b>3,355,100</b>	<b>3,540,621</b>	<b>185,521</b>
Miscellaneous:				
Miscellaneous	53,350	78,350	34,599	(43,751)
<b>Total revenue from local sources</b>	<b>24,597,210</b>	<b>24,622,210</b>	<b>25,067,438</b>	<b>445,228</b>
Intergovernmental:				
County of Fairfax:				
Contribution for neighborhood resource center	114,730	114,730	114,732	2
Contribution for E-Summons software	-	-	5,000	5,000
Contribution toward Spring St./ Fairfax County Parkway sidewalk	50,000	50,000	-	(50,000)
<b>Total from County of Fairfax</b>	<b>164,730</b>	<b>164,730</b>	<b>119,732</b>	<b>(44,998)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-4  
Page 3GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	\$ 568,620	\$ 568,620	\$ 568,668	\$ 48
5% communications tax	1,798,880	1,798,880	1,795,117	(3,763)
Vehicle rental taxes	38,400	38,400	32,739	(5,661)
<b>Total non-categorical aid</b>	<b>2,405,900</b>	<b>2,405,900</b>	<b>2,396,524</b>	<b>(9,376)</b>
Categorical aid:				
Fire fund program	60,580	60,580	62,527	1,947
Litter control grant	4,720	4,720	5,444	724
Financial assistance for the arts	5,000	5,000	-	(5,000)
Dept. of Criminal Justice Service grants	7,500	7,500	12,244	4,744
VDOT Revenue Sharing agreements	933,000	933,000	-	(933,000)
VRA loan forgiveness	-	-	2,500	2,500
Virginia Dept. of Emergency Management	-	-	32,330	32,330
Street and highway maintenance allocation	1,411,040	1,411,040	1,664,107	253,067
<b>Total categorical aid</b>	<b>2,421,840</b>	<b>2,421,840</b>	<b>1,779,152</b>	<b>(642,688)</b>
<b>Total from the Commonwealth</b>	<b>4,827,740</b>	<b>4,827,740</b>	<b>4,175,676</b>	<b>(652,064)</b>
Federal government:				
Categorical aid:				
Office of Justice Pgms./VEST grant	-	-	2,200	2,200
Dept. of Transportation/State & Community Highway Safety grant	37,500	37,500	41,338	3,838
Office of Justice Pgms./JJDP grant	131,200	131,200	156,807	25,607
ARRA- Dept. of Justice/JAG grant	-	-	10,293	10,293
ARRA- Office of Juvenile Justice/ICAC grant	96,000	96,000	106,756	10,756
Regional surface transportation program preliminary engineering	500,000	500,000	-	(500,000)
Dept. of Housing & Urban Dev./Bilingual grant	86,000	86,000	87,289	1,289
Dept. of Homeland Sec./FEMA	-	-	64,583	64,583
CMAQ grant - alternative fuel vehicles	185,000	291,654	-	(291,654)
Transportation enhancement grant - DT Streets	290,000	290,000	-	(290,000)
<b>Total from the Federal government</b>	<b>1,325,700</b>	<b>1,432,354</b>	<b>469,266</b>	<b>(963,088)</b>
<b>Total intergovernmental revenue</b>	<b>6,318,170</b>	<b>6,424,824</b>	<b>4,764,674</b>	<b>(1,660,150)</b>
<b>Total General Fund revenues</b>	<b>\$ 30,915,380</b>	<b>\$ 31,047,034</b>	<b>\$ 29,832,112</b>	<b>\$ (1,214,922)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 1GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Legislative:				
Personnel services	\$ 362,430	\$ 362,430	\$ 358,949	\$ (3,481)
Operations and maintenance	228,330	268,215	262,881	(5,334)
<b>Total legislative</b>	590,760	630,645	621,830	(8,815)
Administration:				
Public information:				
Personnel services	158,750	158,750	155,522	(3,228)
Operations and maintenance	56,650	89,352	53,792	(35,560)
	215,400	248,102	209,314	(38,788)
Town manager:				
Personnel services	319,070	319,070	320,763	1,693
Operations and maintenance	15,840	15,840	14,702	(1,138)
	334,910	334,910	335,465	555
Human resources:				
Personnel services	352,250	352,250	364,761	12,511
Operations and maintenance	53,200	114,810	121,948	7,138
	405,450	467,060	486,709	19,649
Information services:				
Personnel services	609,830	609,830	584,676	(25,154)
Operations and maintenance	247,350	253,749	229,800	(23,949)
Capital outlay	35,000	35,000	29,343	(5,657)
	892,180	898,579	843,819	(54,760)
<b>Total administration</b>	1,847,940	1,948,651	1,875,307	(73,344)
Town attorney:				
Personnel services	298,640	298,640	301,537	2,897
Operations and maintenance	161,490	315,491	278,562	(36,929)
<b>Total town attorney</b>	460,130	614,131	580,099	(34,032)



## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 2GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Parks and recreation:				
Administration:				
Personnel services	\$ 361,480	\$ 361,480	\$ 355,524	\$ (5,956)
Operations and maintenance	101,890	103,660	98,744	(4,916)
	463,370	465,140	454,268	(10,872)
Recreation programs:				
Personnel services	793,470	793,470	864,713	71,243
Operations and maintenance	577,180	606,121	605,406	(715)
	1,370,650	1,399,591	1,470,119	70,528
Community center operations:				
Personnel services	760,170	760,170	726,584	(33,586)
Operations and maintenance	207,100	207,897	175,698	(32,199)
	967,270	968,067	902,282	(65,785)
Aquatics programs and operations:				
Personnel services	552,520	552,520	552,068	(452)
Operations and maintenance	142,660	143,278	123,615	(19,663)
	695,180	695,798	675,683	(20,115)
Park operations and development:				
Personnel services	66,320	66,320	66,764	444
Operations and maintenance	76,500	83,000	61,951	(21,049)
Capital outlay	-	6,100	6,072	(28)
	142,820	155,420	134,787	(20,633)
<b>Total parks and recreation</b>	<b>3,639,290</b>	<b>3,684,016</b>	<b>3,637,139</b>	<b>(46,877)</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-5  
Page 3**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Finance:				
Administration:				
Personnel services	\$ 213,480	\$ 213,480	\$ 207,388	\$ (6,092)
Operations and maintenance	273,800	304,995	247,855	(57,140)
	487,280	518,475	455,243	(63,232)
Billing and accounting:				
Personnel services	404,970	404,970	399,446	(5,524)
Operations and maintenance	18,700	19,050	16,060	(2,990)
	423,670	424,020	415,506	(8,514)
Revenue:				
Personnel services	180,440	180,440	179,623	(817)
Operations and maintenance	26,900	27,250	24,229	(3,021)
	207,340	207,690	203,852	(3,838)
Procurement:				
Personnel services	81,690	81,690	81,085	(605)
Operations and maintenance	4,430	4,485	3,689	(796)
	86,120	86,175	84,774	(1,401)
<b>Total finance</b>	<b>1,204,410</b>	<b>1,236,360</b>	<b>1,159,375</b>	<b>(76,985)</b>
Community development:				
Administration:				
Personnel services	1,281,560	1,257,682	1,126,139	(131,543)
Operations and maintenance	50,500	206,222	49,285	(156,937)
	1,332,060	1,463,904	1,175,424	(288,480)
Community inspections:				
Personnel services	405,850	405,850	403,806	(2,044)
Operations and maintenance	17,350	16,600	9,485	(7,115)
	423,200	422,450	413,291	(9,159)
Neighborhood resources:				
Personnel services	194,440	194,440	225,119	30,679
Operations and maintenance	244,700	256,050	247,131	(8,919)
	439,140	450,490	472,250	21,760
<b>Total community development</b>	<b>2,194,400</b>	<b>2,336,844</b>	<b>2,060,965</b>	<b>(275,879)</b>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 4GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Police:				
Field operations:				
Personnel services	\$ 4,653,760	\$ 4,650,760	\$ 4,692,847	\$ 42,087
Operations and maintenance	150,750	159,319	180,324	21,005
Capital outlay	60,000	138,205	23,107	(115,098)
	4,864,510	4,948,284	4,896,278	(52,006)
Support services:				
Personnel services	2,957,420	2,918,310	2,826,259	(92,051)
Operations and maintenance	370,400	401,043	369,005	(32,038)
Capital outlay	87,450	88,552	73,410	(15,142)
	3,415,270	3,407,905	3,268,674	(139,231)
<b>Total police</b>	<b>8,279,780</b>	<b>8,356,189</b>	<b>8,164,952</b>	<b>(191,237)</b>
Public Works:				
Administration:				
Personnel services	838,030	838,030	779,642	(58,388)
Operations and maintenance	36,320	36,494	30,067	(6,427)
	874,350	874,524	809,709	(64,815)
Engineering:				
Personnel services	453,860	453,860	447,251	(6,609)
Operations and maintenance	54,720	104,488	53,125	(51,363)
	508,580	558,348	500,376	(57,972)
Program management:				
Personnel services	231,160	231,160	227,510	(3,650)
Operations and maintenance	6,550	23,982	2,612	(21,370)
	237,710	255,142	230,122	(25,020)
Building inspections:				
Personnel services	431,310	431,310	407,303	(24,007)
Operations and maintenance	77,380	78,853	76,004	(2,849)
	508,690	510,163	483,307	(26,856)
Building maintenance:				
Personnel services	524,710	524,710	509,049	(15,661)
Operations and maintenance	662,550	721,488	678,758	(42,730)
Capital outlay	-	30,500	-	(30,500)
	1,187,260	1,276,698	1,187,807	(88,891)

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5  
Page 5GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Public works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 570,540	\$ 570,540	\$ 420,967	\$ (149,573)
Operations and maintenance	137,000	153,078	85,320	(67,758)
	<u>707,540</u>	<u>723,618</u>	<u>506,287</u>	<u>(217,331)</u>
Street maintenance:				
Personnel services	610,720	606,812	728,070	121,258
Operations and maintenance	607,700	992,652	1,039,633	46,981
Capital outlay	289,290	365,944	162,795	(203,149)
	<u>1,507,710</u>	<u>1,965,408</u>	<u>1,930,498</u>	<u>(34,910)</u>
Refuse/recycling:				
Personnel services	904,260	904,260	870,440	(33,820)
Operations and maintenance	468,230	493,011	445,360	(47,651)
	<u>1,372,490</u>	<u>1,397,271</u>	<u>1,315,800</u>	<u>(81,471)</u>
Vehicle and equipment maintenance:				
Personnel services	760,690	760,690	750,570	(10,120)
Operations and maintenance	376,350	419,842	191,191	(228,651)
Capital outlay	-	116,398	116,398	-
	<u>1,137,040</u>	<u>1,296,930</u>	<u>1,058,159</u>	<u>(238,771)</u>
Traffic engineering:				
Personnel services	220,150	220,150	144,672	(75,478)
Operations and maintenance	105,800	123,232	36,160	(87,072)
Capital outlay	-	30,000	20,000	(10,000)
	<u>325,950</u>	<u>373,382</u>	<u>200,832</u>	<u>(172,550)</u>
Right of way inspections:				
Personnel services	238,600	238,600	231,599	(7,001)
Operations and maintenance	9,600	9,600	6,282	(3,318)
	<u>248,200</u>	<u>248,200</u>	<u>237,881</u>	<u>(10,319)</u>
<b>Total public works</b>	<u>8,615,520</u>	<u>9,479,684</u>	<u>8,460,778</u>	<u>(1,018,906)</u>

## TOWN OF HERNDON, VIRGINIA

Exhibit B-5

Page 6

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Grants:				
Operations	\$ -	\$ 1	\$ 56,077	\$ 56,076
<b>Total grants</b>	-	1	56,077	56,076
Debt service:				
Principal	1,741,053	1,551,053	1,755,837	204,784
Interest and fiscal charges	784,797	974,797	838,530	(136,267)
<b>Total debt service</b>	2,525,850	2,525,850	2,594,367	68,517
<b>Total General Fund expenditures</b>	<b>\$ 29,358,080</b>	<b>\$ 30,812,371</b>	<b>\$ 29,210,889</b>	<b>\$ (1,601,482)</b>

**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, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
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	641,574	640,633	941	641,574
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	(1,198,027)	(1,232,371)	34,344	(1,198,027)
Horse Pen Run Watershed:				
Builder contributions	21,581	21,581	-	21,581
Interest on investments	19,210	18,522	688	19,210
Storm Drain Easement/Construction:				
Builder contributions	14,171	14,171	-	14,171
Proceeds from bond issue	100,000	-	100,000	100,000
Transfer from General Fund	1,485,200	1,485,200	-	1,485,200
Interest on investments	209,538	208,851	687	209,538
Reallocation of remaining authorizations	(36,173)	174,923	(211,096)	(36,173)
Huntmar-Spring/Van Buren Street Improvements:				
Builder bond default	18,750	18,750	-	18,750
Interest on investments	26,633	26,144	489	26,633
Reallocation of remaining authorizations	(25,002)	(24,513)	(489)	(25,002)

**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, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Traffic Signals and Automated Control Systems:				
Builder contributions	\$ 6,250	\$ 6,250	\$ -	\$ 6,250
Federal/state grants	72,968	72,968	-	72,968
Transfer from General Fund	572,294	572,294	-	572,294
Interest on investments	97,633	96,241	1,392	97,633
Reallocation of remaining authorizations	301,714	302,224	(510)	301,714
Streets - VDOT Contributions:				
Transfer from General Fund	90,000	90,000	-	90,000
Interest on investments	60,017	58,874	1,143	60,017
Reallocation of remaining authorizations	33,734	34,877	(1,143)	33,734
Street Light Installation:				
Transfer from General Fund	291,000	291,000	-	291,000
Interest on investments	88,545	85,679	2,866	88,545
Reallocation of remaining authorizations	(68,009)	(53,965)	(14,044)	(68,009)
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	93,150	90,261	2,889	93,150
Reallocation of remaining authorizations	(236,478)	(233,589)	(2,889)	(236,478)

**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, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Herndon Community Center - Phase IV/Fixtures:				
Proceeds from bond issue	\$ 4,800,000	\$ 4,800,000	\$ -	\$ 4,800,000
Premium/(discount) on debt, net	(4,368)	(4,368)	-	(4,368)
Transfer from General Fund	1,290,000	1,290,000	-	1,290,000
Interest on investment	229,027	228,105	922	229,027
Reallocation of remaining authorizations	(1,335,068)	(1,338,457)	3,389	(1,335,068)
Locust Street Improvements:				
Builder contributions	61,083	61,083	-	61,083
Interest on investments	57,444	56,247	1,197	57,444
Reallocation of remaining authorizations	(72,555)	(71,358)	(1,197)	(72,555)
Downtown Street Improvements:				
Federal/state grants	736,659	736,659	-	736,659
Proceeds from bond issue	787,032	787,032	-	787,032
Transfer from General Fund	1,766,968	1,766,968	-	1,766,968
Interest on investments	461,147	430,739	30,408	461,147
Reallocation of remaining authorizations	(1,482,321)	(1,752,469)	270,148	(1,482,321)
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	(38,914)	(36,474)	(2,440)	(38,914)



**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, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Tennis/Multi-Use Activity Center:				
Transfer from General Fund	\$ 650,500	\$ 613,000	\$ 37,500	\$ 650,500
Interest on investments	187,790	179,690	8,100	187,790
Reallocation of remaining authorizations	(292,041)	(246,441)	(45,600)	(292,041)
Gateway Entrances:				
Transfer from General Fund	62,000	62,000	-	62,000
Interest on investments	33,768	32,664	1,104	33,768
Reallocation of remaining authorizations	(48,229)	(47,125)	(1,104)	(48,229)
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	(279,887)	(279,854)	(33)	(279,887)
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	33,085	19,296	13,789	33,085
Town Shop Improvements:				
Proceeds from bond issue	1,130,000	1,000,000	130,000	1,130,000
Transfer from General Fund	85,000	85,000	-	85,000
Interest on investments	54,237	54,217	20	54,237
Reallocation of remaining authorizations	(83,468)	(28,637)	(54,831)	(83,468)

TOWN OF HERNDON, VIRGINIA

Exhibit B-6

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**CAPITAL PROJECTS FUND**  
**SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)**  
**COMPARED WITH ESTIMATED REVENUES**  
**Year Ended June 30, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
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	24,229	23,508	721	24,229
Reallocation of remaining authorizations	32,316	33,037	(721)	32,316
South Elden Street Improvements:				
Federal/state grants	405,105	405,105	-	405,105
Transfer from General Fund	363,726	363,726	-	363,726
Proceeds from bond issue	590,274	590,274	-	590,274
Interest on investments	264,015	263,376	639	264,015
Reallocation of remaining authorizations	(299,134)	(298,495)	(639)	(299,134)
Triangle Street Improvements:				
Builder contributions	275,000	275,000	-	275,000
Proceeds from bond issue	100,000	-	100,000	100,000
Transfer from General Fund	513,000	513,000	-	513,000
Interest on investments	117,838	117,838	-	117,838
Reallocation of remaining authorizations	(365,498)	(284,991)	(80,507)	(365,498)

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-6**

**Page 6**

**CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
East Elden Street Interim Improvements:				
Transfer from General Fund	\$ 370,000	\$ 370,000	\$ -	\$ 370,000
Interest on investments	67,527	66,332	1,195	67,527
Reallocation of remaining authorizations	(42,913)	(41,718)	(1,195)	(42,913)
Town Depot Improvements:				
Transfer from General Fund	70,000	70,000	-	70,000
Interest on investments	56,907	54,836	2,071	56,907
Reallocation of remaining authorizations	(36,635)	(34,564)	(2,071)	(36,635)
Herndon Parkway/Van Buren St. Intersection Improvements:				
Transfer from General Fund	25,000	25,000	-	25,000
Interest on investments	16,099	15,447	652	16,099
Reallocation of remaining authorizations	(16,099)	(15,447)	(652)	(16,099)
Town Hall Rehabilitation:				
Transfer from General Fund	124,000	124,000	-	124,000
Interest on investments	48,470	46,765	1,705	48,470
Reallocation of remaining authorizations	(49,399)	(47,544)	(1,855)	(49,399)
HMC Computer Equipment Room Renovations:				
Interest on investments	8,593	8,011	582	8,593
Reallocation of remaining authorizations	206,288	206,870	(582)	206,288

**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, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Skate Park Facility:				
Builder contributions	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Transfer from General Fund	25,000	25,000	-	25,000
Interest on investments	39,247	39,247	-	39,247
Reallocation of remaining authorizations	(40,155)	(147,458)	107,303	(40,155)
Elden Street/Center Street Intersection Improvements:				
Proceeds from bond issue	50,000	50,000	-	50,000
Transfer from General Fund	50,000	50,000	-	50,000
Interest on investments	33,366	30,757	2,609	33,366
Reallocation of remaining authorizations	(33,366)	(30,757)	(2,609)	(33,366)
Pearl/Nash/Oak/Wood Streets Improvements:				
Proceeds from bond issue	1,000,000	1,000,000	-	1,000,000
Transfer from General Fund	135,000	135,000	-	135,000
Interest on investments	56,269	28,434	27,835	56,269
Reallocation of remaining authorizations	(72,780)	(1,088,059)	1,015,279	(72,780)
W & OD Trail Enhancements (CMAQ grant):				
Interest on investments	49,103	37,856	11,247	49,103
Reallocation of remaining authorizations	400,897	412,144	(11,247)	400,897
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)	(2,826)	-	(2,826)

**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, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Station Street Improvements:				
Federal/state grants	\$ 30,045	\$ -	\$ 30,045	\$ 30,045
Proceeds from bond issue	1,003,000	733,000	270,000	1,003,000
Transfer from General Fund	140,000	140,000	-	140,000
Interest on investments	81,661	39,790	41,871	81,661
Donated property	-	-	11,000	11,000
Reallocation of remaining authorizations	442,912	(735,298)	1,178,210	442,912
New Sidewalk Construction:				
Transfer from General Fund	33,000	33,000	-	33,000
Interest on investments	41,663	37,927	3,736	41,663
Reallocation of remaining authorizations	(58,147)	(65,785)	7,638	(58,147)
Van Buren and Elden Streets Intersection Improvements:				
Federal/state grants	31,240	-	31,240	31,240
Transfer from General Fund	22,032	22,032	-	22,032
Interest on investments	23,264	23,264	-	23,264
Reallocation of remaining authorizations	3,260	32,790	(29,530)	3,260
Metro Rail/Worldgate Area Planning:				
Transfer from General Fund	300,000	300,000	-	300,000
Interest on investments	6,179	5,643	536	6,179
Reallocation of remaining authorizations	(14,791)	(274,613)	259,822	(14,791)
Stream Bank Stabilization:				
Transfer from General Fund	30,000	30,000	-	30,000
Interest on investments	1,667	1,354	313	1,667
Reallocation of remaining authorizations	(3,367)	(3,054)	(313)	(3,367)

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-6**

**Page 9**

**CAPITAL PROJECTS FUND  
SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)  
COMPARED WITH ESTIMATED REVENUES  
Year Ended June 30, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Park Avenue and Monroe Street Intersection:				
Proceeds from bond issue	\$ 742,000	\$ 642,000	\$ 100,000	\$ 742,000
Transfer from General Fund	60,000	60,000	-	60,000
Interest on investments	40,199	38,959	1,240	40,199
Reallocation of remaining authorizations	(758,019)	(560,959)	(197,060)	(758,019)
Herndon Parkway Intersections Study (VDOT grant):				
Interest on investments	96,072	63,197	32,875	96,072
Reallocation of remaining authorizations	1,163,928	696,803	467,125	1,163,928
Improvements to 397 Herndon Parkway:				
Interest on investments	4,953	4,613	340	4,953
Reallocation of remaining authorizations	21,184	21,525	(341)	21,184
W & OD Trail Lighting:				
Builder contributions	30,000	30,000	-	30,000
Interest on investments	6,077	5,294	783	6,077
Reallocation of remaining authorizations	(6,077)	(5,294)	(783)	(6,077)
Downtown Utility Relocation:				
Federal/state grants	88,757	-	88,757	88,757
Reallocation of remaining authorizations	-	800,000	(800,000)	-

TOWN OF HERNDON, VIRGINIA

Exhibit B-6

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**CAPITAL PROJECTS FUND**  
**SCHEDULE OF ACTUAL REVENUES AND OTHER FINANCING SOURCES (USES)**  
**COMPARED WITH ESTIMATED REVENUES**  
**Year Ended June 30, 2011**

Project	Estimated Revenues	Actual Revenues and Other Financing Sources (Uses)		Total Actual Revenues
		Prior Years	Current Year	
Dranesville Road Improvements:				
Proceeds from bond issue	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Transfer from General Fund	250,000	-	250,000	250,000
Interest on investments	9,719	-	9,719	9,719
Reallocation of remaining authorizations	(70,683)	-	(70,683)	(70,683)
Assigned to Subsequent Years' Expenditures:				
Transfer from Information Systems Improvement Fund	226,568	226,568	-	226,568
Miscellaneous	83,960	83,946	14	83,960
Reallocation of remaining authorizations	2,093,423	3,914,306	(1,820,883)	2,093,423
<b>Totals</b>	<b>\$ 25,654,684</b>	<b>\$ 24,123,613</b>	<b>\$ 1,542,071</b>	<b>\$ 25,665,684</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-7**

**Page 1**

**CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2011**

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Folly Lick Watershed	\$ 422,729	\$ 385,723	\$ -	\$ 385,723	\$ 37,006
Sugarland Run Watershed	352,196	317,852	34,344	352,196	-
Horse Pen Run Watershed	40,791	8,768	4,980	13,748	27,043
Storm Drain Easement/Construction	1,772,736	1,700,617	45,776	1,746,393	26,343
Huntmar-Spring/Van Buren Street Improvements	20,381	1,631	-	1,631	18,750
Traffic Signals and Automated Control Systems	1,050,859	996,609	882	997,491	53,368
Streets - VDOT Contributions	183,751	139,937	-	139,937	43,814
Street Light Installations	311,536	201,682	-	201,682	109,854
Ball Field Improvements/Recreation Facilities	329,386	218,656	-	218,656	110,730
Herndon Community Center - Phase IV/Fixtures	4,979,591	4,944,253	-	4,944,253	35,338
Locust Street Improvements	45,972	111	-	111	45,861
Downtown Street Improvements	2,269,485	1,093,503	10,556	1,104,059	1,165,426
Storm Water Management	275,907	272,907	3,000	275,907	-
Tennis/Multi-Use Activity Center	546,249	546,249	-	546,249	-
Gateway Entrances	47,539	5,232	-	5,232	42,307
Minor Road Construction	414,534	404,927	9,607	414,534	-
Trails and Sidewalks	232,478	89,293	-	89,293	143,185
Town Shop Improvements	1,185,769	1,018,375	112,121	1,130,496	55,273
Nash Street Improvements	11,440	6,226	-	6,226	5,214
Bus Stop Shelters	86,545	58,914	-	58,914	27,631
South Elden Street Improvements	1,323,986	1,298,511	1,003	1,299,514	24,472
Triangle Street Improvements	640,340	548,797	91,543	640,340	-



**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-7**

**Page 2**

**CAPITAL PROJECTS FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2011**

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
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
Town Hall Rehabilitation	123,071	40,367	17,358	57,725	65,346
HMC Computer Equipment Room Renovations	214,881	192,577	-	192,577	22,304
Skate Park Facility	174,092	52,890	114,614	167,504	6,588
Elden Street/Center Street Intersection Improvements	100,000	-	-	-	100,000
Pearl/Nash/Oak/Wood Streets Improvements	1,118,489	53,700	46,162	99,862	1,018,627
W & OD Trail Enhancements (CMAQ grant)	450,000	18,944	-	18,944	431,056
Folly Lick/Spring Branch Regional Trail	24,386	24,386	-	24,386	-
Station Street Improvements	1,708,618	55,808	83,374	139,182	1,569,436
New Sidewalk Construction	16,516	5,142	11,374	16,516	-
Van Buren and Elden Streets Intersection Improvements	79,796	20,429	59,367	79,796	-
Metro Rail/Worldgate Area Planning	291,388	28,519	242,335	270,854	20,534
Stream Bank Stabilization	28,300	16,300	-	16,300	12,000
Park Avenue and Monroe Street Intersection	84,180	32,520	35,119	67,639	16,541
Herndon Parkway Intersections Studies (VDOT grant)	1,260,000	-	-	-	1,260,000
Improvements to 397 Herndon Parkway	26,137	-	13,093	13,093	13,044
W & OD Trail Lighting	30,000	-	-	-	30,000
Downtown Utility Relocation	88,757	-	88,757	88,757	-
Dranesville Road Improvements	389,036	-	16,536	16,536	372,500
Assigned to Subsequent Years' Expenditures	2,403,951	498,000	240,000	738,000	1,665,951
<b>Totals</b>	<b>\$ 25,665,684</b>	<b>\$ 15,658,051</b>	<b>\$ 1,281,901</b>	<b>\$ 16,939,952</b>	<b>\$ 8,725,732</b>

**TOWN OF HERNDON, VIRGINIA**

**Exhibit B-8**

**INFORMATION SYSTEMS IMPROVEMENT FUND  
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
Year Ended June 30, 2011**

	Authorization	Expenditures		Total Expenditures	Remaining Authorizations
		Prior Years	Current Year		
Personal Computers, Printers and File Servers	\$ 1,399,969	\$ 1,361,344	\$ 20,225	\$ 1,381,569	\$ 18,400
WAN/I-NET and Internet Presence	867,139	849,114	18,025	867,139	-
Citizens Relationship Software	231,498	182,514	10,484	192,998	38,500
Financial/Human Resources Software Replacement	40,000	-	-	-	40,000
Disaster Recovery/Business Continuity Plans	175,051	51,309	26,942	78,251	96,800
Parks & Recreation Registration Software	90,000	-	-	-	90,000
Assigned to Subsequent Years' Expenditures	84,853	-	-	-	84,853
<b>Totals</b>	<b>\$ 2,888,510</b>	<b>\$ 2,444,281</b>	<b>\$ 75,676</b>	<b>\$ 2,519,957</b>	<b>\$ 368,553</b>

## 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, 2011**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Sale of water	\$ 2,680,000	\$ 2,786,573	\$ 106,573
Sewer service charges	2,430,000	2,517,078	87,078
Late payment charges	58,000	56,790	(1,210)
Sale of commodities	16,500	11,909	(4,591)
Rents and leases	423,000	410,791	(12,209)
Miscellaneous	20,000	30,619	10,619
<b>Total operating revenues</b>	<b>5,627,500</b>	<b>5,813,760</b>	<b>186,260</b>
Operating expenses:			
Finance	217,084	210,448	(6,636)
Water main maintenance	2,302,404	2,056,542	(245,862)
Sewer service charge	3,418,116	3,256,939	(161,177)
Contractual services	423,190	423,190	-
Nondepartmental:			
Depreciation and amortization	-	716,985	716,985
Miscellaneous	53,880	51,619	(2,261)
<b>Total operating expenses</b>	<b>6,414,674</b>	<b>6,715,723</b>	<b>301,049</b>
<b>Operating loss</b>	<b>(787,174)</b>	<b>(901,963)</b>	<b>(114,789)</b>
Nonoperating revenues:			
Investment earnings	540,000	238,073	(301,927)
Availability fees	802,800	555,893	(246,907)
<b>Total nonoperating revenues</b>	<b>1,342,800</b>	<b>793,966</b>	<b>(548,834)</b>
<b>Income (loss) before capital contributions</b>	<b>555,626</b>	<b>(107,997)</b>	<b>(663,623)</b>
Capital contributions	-	314,121	314,121
<b>Change in net assets</b>	<b>\$ 555,626</b>	<b>206,124</b>	<b>\$ (349,502)</b>
Total net assets, July 1		23,540,773	
Total net assets, June 30		<u>\$ 23,746,897</u>	

## 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, 2011**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Rents and leases	\$ 38,500	\$ 39,684	\$ 1,184
Greens fees	969,100	891,951	(77,149)
Golf cart revenue	257,600	258,554	954
Golf pro shop sales	67,810	66,129	(1,681)
Driving range fees	65,000	62,808	(2,192)
Miscellaneous	20,900	21,720	820
<b>Total operating revenues</b>	<b>1,418,910</b>	<b>1,340,846</b>	<b>(78,064)</b>
Operating expenses:			
Golf course operations	678,083	642,199	(35,884)
Golf course club house	536,514	493,244	(43,270)
Nondepartmental:			
Depreciation and amortization	-	208,337	208,337
Miscellaneous	52,970	53,152	182
<b>Total operating expenses</b>	<b>1,267,567</b>	<b>1,396,932</b>	<b>129,365</b>
<b>Operating income (loss)</b>	<b>151,343</b>	<b>(56,086)</b>	<b>(207,429)</b>
Nonoperating revenues (expenses):			
Investment earnings	19,400	29,025	9,625
Interest expense	(53,190)	(79,781)	(26,591)
<b>Total nonoperating expenses, net</b>	<b>(33,790)</b>	<b>(50,756)</b>	<b>(16,966)</b>
<b>Change in net assets</b>	<b>\$ 117,553</b>	<b>(106,842)</b>	<b>\$ (224,395)</b>
Total net assets, July 1		3,741,053	
Total net assets, June 30		\$ 3,634,211	

## 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, 2011**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Cemetery sites	\$ 296,500	\$ 332,770	\$ 36,270
Interment services	128,500	138,495	9,995
Merchandise sales	85,000	124,841	39,841
Miscellaneous	29,100	30,065	965
<b>Total operating revenues</b>	<b>539,100</b>	<b>626,171</b>	<b>87,071</b>
Operating expenses:			
Cemetery operations	478,839	438,723	(40,116)
Non-departmental:			
Depreciation and amortization	-	116,205	116,205
Miscellaneous	18,770	20,404	1,634
<b>Total operating expenses</b>	<b>497,609</b>	<b>575,332</b>	<b>77,723</b>
<b>Operating income</b>	<b>41,491</b>	<b>50,839</b>	<b>9,348</b>
Nonoperating revenues (expenses):			
Investment earnings	10,000	9,036	(964)
Interest expense	(105,010)	(123,029)	(18,019)
<b>Total nonoperating expenses, net</b>	<b>(95,010)</b>	<b>(113,993)</b>	<b>(18,983)</b>
<b>Loss before transfers</b>	<b>(53,519)</b>	<b>(63,154)</b>	<b>(9,635)</b>
Transfers in	68,000	43,256	(24,744)
Transfers out	(30,150)	(33,277)	(3,127)
<b>Change in net assets</b>	<b>\$ (15,669)</b>	<b>(53,175)</b>	<b>\$ (37,506)</b>
Total net assets, July 1		1,085,656	
Total net assets, June 30		<u>\$ 1,032,481</u>	

## 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, 2011**

	Final Budget	Actual	Variance Over (Under)
Operating revenues:			
Miscellaneous	\$ 12,700	\$ 26,902	\$ 14,202
<b>Total operating revenues</b>	<b>12,700</b>	<b>26,902</b>	<b>14,202</b>
Operating expenses:			
Downtown parking	47,674	47,079	(595)
Depreciation and amortization	-	30,295	30,295
<b>Total operating expenses</b>	<b>47,674</b>	<b>77,374</b>	<b>29,700</b>
<b>Operating loss</b>	<b>(34,974)</b>	<b>(50,472)</b>	<b>(15,498)</b>
Nonoperating revenues:			
Investment earnings	17,660	15,480	(2,180)
<b>Total nonoperating revenues</b>	<b>17,660</b>	<b>15,480</b>	<b>(2,180)</b>
<b>Change in net assets</b>	<b>\$ (17,314)</b>	<b>(34,992)</b>	<b>\$ (17,678)</b>
Total net assets, July 1		<u>1,546,964</u>	
Total net assets, June 30		<u>\$ 1,511,972</u>	



**TOWN OF HERNDON, VIRGINIA**  
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**STATISTICAL SECTION**



**TOWN OF HERNDON, VIRGINIA**  
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## TOWN OF HERNDON, VIRGINIA

### STATISTICAL SECTION CONTENTS

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

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

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. 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 NINE FISCAL YEARS (1)**  
*(accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 71,869,483
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	12,710,197
<b>Total governmental activities net assets</b>	<b>\$ 38,391,860</b>	<b>\$ 42,912,995</b>	<b>\$ 41,116,102</b>	<b>\$ 45,065,529</b>	<b>\$ 84,895,257</b>	<b>\$ 85,973,382</b>	<b>\$ 85,090,377</b>	<b>\$ 85,356,337</b>	<b>\$ 84,579,680</b>
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	\$ 15,029,325
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	14,896,236
<b>Total business-type activities net assets</b>	<b>\$ 30,963,285</b>	<b>\$ 31,985,949</b>	<b>\$ 32,041,358</b>	<b>\$ 31,688,705</b>	<b>\$ 31,386,257</b>	<b>\$ 30,514,244</b>	<b>\$ 29,784,825</b>	<b>\$ 29,914,446</b>	<b>\$ 29,925,561</b>
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	\$ 86,898,808
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	27,606,433
<b>Total primary government net assets</b>	<b>\$ 69,355,145</b>	<b>\$ 74,898,944</b>	<b>\$ 73,157,460</b>	<b>\$ 76,754,234</b>	<b>\$ 116,281,514</b>	<b>\$ 116,487,626</b>	<b>\$ 114,875,202</b>	<b>\$ 115,270,783</b>	<b>\$ 114,505,241</b>

## 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.
- (3) Beginning in fiscal year 2011, the town reclassified the Cemetery Perpetual Care Fund to unrestricted.

## TOWN OF HERNDON, VIRGINIA

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

**Table 2**  
**Page 1**

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
Legislative	\$ 304,842	\$ 334,582	\$ 588,708	\$ 599,013	\$ 664,636	\$ 685,284	\$ 654,002	\$ 633,438	\$ 623,912
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	2,259,326
Town attorney	304,244	326,181	352,556	415,156	393,808	461,394	519,437	532,305	587,992
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	4,363,722
Finance	997,701	1,030,116	1,087,203	1,165,622	1,191,893	1,307,331	1,348,980	1,288,960	1,215,584
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	2,346,085
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	8,548,326
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	10,493,058
Grants	17,301	95,391	79,212	-	-	-	-	-	-
Interest	564,173	698,104	826,972	904,816	940,449	875,509	813,800	765,523	807,330
<b>Total governmental activities</b>	<b>21,674,206</b>	<b>22,320,537</b>	<b>25,266,921</b>	<b>26,775,539</b>	<b>31,012,613</b>	<b>32,426,952</b>	<b>33,659,016</b>	<b>31,875,490</b>	<b>31,245,335</b>
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	6,715,723
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	1,476,713
Chestnut Grove cemetery	314,938	343,509	382,021	448,989	442,171	652,781	704,690	714,927	698,361
Downtown parking	35,867	38,571	40,750	129,847	79,465	278,725	65,844	44,814	77,374
<b>Total business-type activities</b>	<b>7,010,088</b>	<b>7,075,533</b>	<b>7,629,037</b>	<b>8,178,454</b>	<b>8,676,309</b>	<b>9,188,341</b>	<b>9,137,411</b>	<b>8,937,488</b>	<b>8,968,171</b>
<b>Total government expenses</b>	<b>28,684,294</b>	<b>29,396,070</b>	<b>32,895,958</b>	<b>34,953,993</b>	<b>39,688,922</b>	<b>41,615,293</b>	<b>42,796,427</b>	<b>40,812,978</b>	<b>40,213,506</b>
Program revenue:									
Governmental activities:									
Charges for services:									
Administration	21,989	30,518	40,281	33,874	36,634	46,447	20,650	12,827	28,242
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	2,848,308
Finance	293,440	293,700	302,510	366,100	382,570	401,700	421,790	442,880	465,020
Police	502,942	742,418	461,538	475,407	555,217	509,890	579,682	544,060	543,607
Public works	538,366	475,311	568,194	470,699	546,176	398,234	466,595	495,331	498,571
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	114,732
Community development	750	2,500	-	-	638	451	-	130,958	87,289
Police	672,372	815,365	851,697	1,084,006	1,089,540	916,457	1,045,779	954,847	898,306
Public works	603,569	494,368	1,193,149	1,068,463	940,045	1,896,712	739,287	1,097,785	864,727
Capital grants and contributions:									
Parks and recreation	36,500	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	5,000
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	1,233,410
<b>Total governmental activities program revenue</b>	<b>5,352,738</b>	<b>8,298,868</b>	<b>7,201,486</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>	<b>8,156,684</b>	<b>7,587,212</b>

## TOWN OF HERNDON, VIRGINIA

Table 2

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

Page 2

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 5,372,350
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	1,279,442
Chestnut Grove cemetery	225,950	245,340	326,241	418,563	507,959	406,729	536,054	568,783	596,106
Operating grants and contributions:									
Water and sewer	719,784	1,533,682	845,013	719,489	449,735	523,025	519,711	644,817	555,893
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	314,121
Downtown parking	-	113,889	-	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>6,963,235</b>	<b>7,723,777</b>	<b>6,798,955</b>	<b>7,229,123</b>	<b>7,080,278</b>	<b>6,982,636</b>	<b>6,979,318</b>	<b>7,711,698</b>	<b>8,117,912</b>
<b>Total government program revenues</b>	<b>12,315,973</b>	<b>16,022,645</b>	<b>14,000,441</b>	<b>16,326,758</b>	<b>24,719,986</b>	<b>14,737,861</b>	<b>14,165,001</b>	<b>15,868,382</b>	<b>15,705,124</b>
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)	(23,658,123)
Business-type activities	(46,853)	648,244	(830,082)	(949,331)	(1,596,031)	(2,205,705)	(2,158,093)	(1,225,790)	(850,259)
<b>Total government net expense</b>	<b>(16,368,321)</b>	<b>(13,373,425)</b>	<b>(18,895,517)</b>	<b>(18,627,235)</b>	<b>(14,968,936)</b>	<b>(26,877,432)</b>	<b>(28,631,426)</b>	<b>(24,944,596)</b>	<b>(24,508,382)</b>
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	9,117,669
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	3,788,311
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	2,212,811
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	1,488,959
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	3,472,473
Revenues not restricted to specific programs	37,532	38,652	77,343	70,136	77,624	84,118	89,937	92,844	193,634
Intergovernmental, non-categorical aid	109,578	162,315	117,177	120,770	135,559	63,070	42,626	29,026	1,827,856
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	725,320
Miscellaneous	74,859	98,297	72,595	84,178	11,828	190,623	439,355	144,995	64,412
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)	(9,979)
<b>Total governmental activities</b>	<b>16,273,575</b>	<b>18,542,804</b>	<b>19,919,822</b>	<b>21,627,331</b>	<b>24,375,984</b>	<b>25,749,852</b>	<b>25,590,328</b>	<b>23,984,766</b>	<b>22,881,466</b>

TOWN OF HERNDON, VIRGINIA

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

**Table 2  
Page 3**

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 291,614
Miscellaneous	256,217	290,189	308,975	324,506	263,456	282,077	367,475	491,843	559,781
Transfers	548,544	33,573	26,526	(13,960)	63,158	82,139	46,252	28,468	9,979
<b>Total business-type activities</b>	<u>2,092,680</u>	<u>374,420</u>	<u>885,491</u>	<u>596,678</u>	<u>1,293,583</u>	<u>1,333,692</u>	<u>1,428,674</u>	<u>1,355,411</u>	<u>861,374</u>
<b>Total primary government</b>	<u>18,366,255</u>	<u>18,917,224</u>	<u>20,805,313</u>	<u>22,224,009</u>	<u>25,669,567</u>	<u>27,083,544</u>	<u>27,019,002</u>	<u>25,340,177</u>	<u>23,742,840</u>
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	(776,657)
Business-type activities	2,045,827	1,022,664	55,409	(352,653)	(302,448)	(872,013)	(729,419)	129,621	11,115
<b>Total primary government</b>	<u>\$ 1,997,934</u>	<u>\$ 5,543,799</u>	<u>\$ 1,909,796</u>	<u>\$ 3,596,774</u>	<u>\$ 10,700,631</u>	<u>\$ 206,112</u>	<u>\$ (1,612,424)</u>	<u>\$ 395,581</u>	<u>\$ (765,542)</u>

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 NINE FISCAL YEARS (1)**  
*(accrual basis of accounting)*  
**(Unaudited)**

Function / Program	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	142,974
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	2,848,308
Finance	293,440	293,700	302,510	366,100	382,570	401,700	421,790	442,880	465,020
Community development	750	2,500	-	-	638	451	-	130,958	87,289
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	1,446,913
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	2,596,708
<b>Total governmental activities</b>	<b>5,352,738</b>	<b>8,298,868</b>	<b>7,201,486</b>	<b>9,097,635</b>	<b>17,639,708</b>	<b>7,755,225</b>	<b>7,185,683</b>	<b>8,156,684</b>	<b>7,587,212</b>
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	6,242,364
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	1,279,442
Chestnut Grove cemetery	225,950	245,340	326,241	418,563	507,959	406,729	536,054	568,783	596,106
Downtown parking	496,942	113,889	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>6,963,235</b>	<b>7,723,777</b>	<b>6,798,955</b>	<b>7,229,123</b>	<b>7,080,278</b>	<b>6,982,636</b>	<b>6,979,318</b>	<b>7,711,698</b>	<b>8,117,912</b>
<b>Total government</b>	<b>\$ 12,315,973</b>	<b>\$ 16,022,645</b>	<b>\$ 14,000,441</b>	<b>\$ 16,326,758</b>	<b>\$ 24,719,986</b>	<b>\$ 14,737,861</b>	<b>\$ 14,165,001</b>	<b>\$ 15,868,382</b>	<b>\$ 15,705,124</b>

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 years 2004 through 2011, the public works department received donated assets of \$2,877,947, \$895,362, \$2,854,521, \$10,904,769, \$215,931, \$169,792, \$738,713 and \$251,315, 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,				
		2002	2003	2004	2005	2006
General Fund:						
Reserved	\$	1,807,801	\$ -	\$ -	\$ -	\$ -
Nonspendable		-	856,022	802,986	843,829	810,834
Assigned		-	798,149	1,487,926	1,330,781	1,542,828
Unassigned		-	6,552,305	5,804,224	5,439,713	5,032,926
Unreserved		8,586,426	-	-	-	-
<b>Total General Fund</b>	<b>\$</b>	<b>10,394,227</b>	<b>\$ 8,206,476</b>	<b>\$ 8,095,136</b>	<b>\$ 7,614,323</b>	<b>\$ 7,386,588</b>
All Other Governmental Funds:						
Reserved	\$	1,127,560	\$ -	\$ -	\$ -	\$ -
Committed		-	1,152,711	1,169,431	1,193,044	1,215,485
Assigned		-	7,290,122	9,339,216	6,102,071	6,776,899
Unreserved, reported in:						
Capital projects funds		9,373,340	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$</b>	<b>10,500,900</b>	<b>\$ 8,442,833</b>	<b>\$ 10,508,647</b>	<b>\$ 7,295,115</b>	<b>\$ 7,992,384</b>
		Fiscal Year June 30,				
		2007	2008	2009	2010	2011
General Fund:						
Nonspendable	\$	777,549	\$ 668,306	\$ 696,928	\$ 521,699	\$ 465,104
Assigned		1,514,448	2,076,810	1,547,148	1,330,286	1,447,107
Unassigned		5,505,291	5,065,689	5,572,879	5,830,035	6,269,345
<b>Total General Fund</b>	<b>\$</b>	<b>7,797,288</b>	<b>\$ 7,810,805</b>	<b>\$ 7,816,955</b>	<b>\$ 7,682,020</b>	<b>\$ 8,181,556</b>
All Other Governmental Funds:						
Committed	\$	1,244,028	\$ 1,268,979	\$ 1,298,335	\$ 1,331,216	\$ 1,364,493
Assigned		5,560,103	6,132,528	6,283,685	8,714,791	9,094,285
<b>Total all other governmental funds</b>	<b>\$</b>	<b>6,804,131</b>	<b>\$ 7,401,507</b>	<b>\$ 7,582,020</b>	<b>\$ 10,046,007</b>	<b>\$ 10,458,778</b>

**Notes:**

- (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.
- (2) In fiscal year 2011, the Town adopted GASB 54 which changed fund balance classifications. FY 2003 - FY 2010 are restated to reflect the new classifications.

## TOWN OF HERNDON, VIRGINIA

Table 5

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

	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
General property taxes	\$ 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	\$ 9,121,061
Other local taxes	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	10,962,554
Permits, privilege fees and regulatory licenses	378,286	474,108	386,609	479,470	388,028	442,686	285,090	361,280	398,453	394,406
Fines and forfeitures	373,668	488,167	492,125	449,833	471,902	571,830	571,998	593,631	546,486	525,648
Use of money and property	1,031,102	1,162,054	226,418	682,330	866,575	1,402,972	1,332,543	1,406,066	1,216,859	725,320
Charges for services	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	3,540,621
Miscellaneous	159,303	74,859	95,030	75,862	84,178	11,828	190,623	318,482	122,619	45,613
Intergovernmental	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	4,914,716
<b>Total revenues</b>	<b>22,154,713</b>	<b>22,297,145</b>	<b>22,582,723</b>	<b>26,513,686</b>	<b>27,878,835</b>	<b>31,126,175</b>	<b>33,260,041</b>	<b>32,523,487</b>	<b>31,174,214</b>	<b>30,229,939</b>
Expenditures:										
Legislative	271,060	299,493	329,467	581,659	605,038	659,583	660,310	651,245	621,490	621,830
Administration	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	1,875,307
Town attorney	294,603	301,253	321,597	350,048	415,617	390,529	455,322	522,946	533,800	580,099
Parks and recreation	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	3,637,139
Finance	817,737	954,516	962,466	1,022,423	1,137,903	1,177,062	1,263,648	1,291,102	1,237,706	1,159,375
Community development	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	2,060,965
Police	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	8,164,952
Public works	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	8,460,778
Grants	9,119	17,301	95,391	79,212	241,986	213,168	70,741	169,494	112,375	56,077
Capital outlay	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	1,117,577
Debt service:										
Principal	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	1,755,837
Interest and fiscal charges	766,662	567,388	666,283	853,937	902,549	969,521	881,041	800,142	808,155	838,530
<b>Total expenditures</b>	<b>22,541,330</b>	<b>26,188,003</b>	<b>31,045,619</b>	<b>30,183,035</b>	<b>32,927,101</b>	<b>32,381,181</b>	<b>32,619,318</b>	<b>32,411,445</b>	<b>32,150,632</b>	<b>30,328,466</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(386,617)</b>	<b>(3,890,858)</b>	<b>(8,462,896)</b>	<b>(3,669,349)</b>	<b>(5,048,266)</b>	<b>(1,255,006)</b>	<b>640,723</b>	<b>112,042</b>	<b>(976,418)</b>	<b>(98,527)</b>
Other financing sources (uses):										
Transfers in	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	755,777
Transfers out	(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)	(765,756)
Issuance of debt	-	-	8,500,000	-	5,490,000	500,000	-	-	3,240,000	902,500
Proceeds of refunding bonds	5,897,824	-	-	-	-	-	-	-	-	1,766,365
Payment to refunded bond escrow agent	(5,853,825)	-	-	-	-	-	-	-	-	(1,760,506)
Premium (discount) on issuance debt	-	-	(70,800)	-	(4,368)	21,038	-	-	71,562	92,459
Proceeds from sale of property	-	-	2,021,743	1,530	18,208	19,573	52,309	120,873	22,376	19,995
<b>Total other financing sources (uses), net</b>	<b>25,215</b>	<b>(548,544)</b>	<b>10,417,370</b>	<b>(24,996)</b>	<b>5,517,800</b>	<b>477,453</b>	<b>(29,830)</b>	<b>74,621</b>	<b>3,305,470</b>	<b>1,010,834</b>
<b>Net changes in fund balances</b>	<b>\$ (361,402)</b>	<b>\$ (4,439,402)</b>	<b>\$ 1,954,474</b>	<b>\$ (3,694,345)</b>	<b>\$ 469,534</b>	<b>\$ (777,553)</b>	<b>\$ 610,893</b>	<b>\$ 186,663</b>	<b>\$ 2,329,052</b>	<b>\$ 912,307</b>



Debt service as a percentage of  
noncapital expenditures:

Total debt service	\$	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	\$	2,594,367
Total expenditures	\$	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	\$	30,328,466
Less: capital outlay		(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)		(920,817)
<b>Noncapital expenditures</b>	<b>\$</b>	<b>20,944,697</b>	<b>\$</b>	<b>21,475,087</b>	<b>\$</b>	<b>21,812,120</b>	<b>\$</b>	<b>24,941,779</b>	<b>\$</b>	<b>26,442,553</b>	<b>\$</b>	<b>29,471,581</b>	<b>\$</b>	<b>30,897,726</b>	<b>\$</b>	<b>31,174,456</b>	<b>\$</b>	<b>30,035,064</b>	<b>\$</b>	<b>29,407,649</b>
<b>Debt service as a percentage of noncapital expenditures</b>		9.48%		9.42%		8.31%		9.36%		9.75%		8.89%		9.12%		8.07%		8.70%		8.82%

Notes:

- (1) For 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 2011, 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 year 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
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
2011	9,121,061	3,788,311	2,212,811	1,488,959	1,154,577	390,163	373,933	884,483	-	-	669,317	20,083,615
Change 2002-2011	27.25%	21.14%	36.99%	0.77%	100.00%	87.19%	14.12%	-31.05%	0.00%	0.00%	-9.61%	25.94%

Source: Town records.

Notes:

- (1) Town's real property assessments have increased 27 percent from 2002 to 2011. However, the town's real estate tax rate decreased over the past ten years from \$0.32 per \$100 of assessed value (AV) to \$0.2675 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 to \$0.35 per pack effective for fiscal years 2004 and 2005; from \$0.35 to \$0.50 per pack effective for fiscal years 2006 thru 2010; and from \$0.50 to \$0.75 per pack effective for fiscal year 2011.
- (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) State communications sales and use tax became effective January 1, 2007. This tax replaced three locally assessed town taxes which are the consumer utility tax on telecommunication services, the mobile telecommunications (cell phone) tax and the 5 percent portion of the town's cable TV franchise fee. Beginning in fiscal year 2011, this tax is now accounted for as state intergovernmental revenue.
- (8) Includes right of way use fees, bank stock taxes and cable 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
2002	\$ 944,848,440	\$ 1,145,643,435	\$ 162,376,543	\$ 83,084,390	\$ 2,335,952,808	\$ 2,252,868,418	16.90%	\$ 0.3200	\$ 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%	0.3000	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%	0.2800	2,533,596,397	100.00%
2005	1,458,102,379	1,167,782,655	141,520,282	100,362,250	2,867,767,566	2,767,405,316	9.23%	0.2800	2,767,405,316	100.00%
2006	1,924,855,719	1,417,144,440	138,361,962	115,928,125	3,596,290,246	3,480,362,121	25.76%	0.2500	3,480,362,121	100.00%
2007	2,417,778,953	1,801,437,496	187,449,426	148,854,355	4,555,520,230	4,406,665,875	26.62%	0.2400	4,406,665,875	100.00%
2008	2,478,870,750	2,118,458,610	152,834,703	148,854,355	4,899,018,418	4,750,164,063	7.79%	0.2400	4,750,164,063	100.00%
2009	2,370,955,949	2,212,843,650	145,578,271	235,205,540	4,964,583,410	4,729,377,870	(0.44)%	0.2400	4,729,377,870	100.00%
2010	1,679,450,917	2,174,409,910	148,261,544	222,736,840	4,224,859,211	4,002,122,371	(15.38)%	0.2600	4,002,122,371	100.00%
2011	1,596,786,795	1,684,423,215	137,947,036	202,647,500	3,621,804,546	3,419,157,046	(14.57)%	0.2675	3,419,157,046	100.00%

Sources:

Town of Herndon Department of Finance

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

Notes:

- (1) Increases in assessments from 2002 through 2008 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 2009 through 2011, 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		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2002	\$ 0.3200	\$ -	\$ 1.2300	\$ 4.5700	\$ 1.5500	\$ 4.5700
2003	0.3000	-	1.2100	4.5700	1.5100	4.5700
2004	0.2800	-	1.1600	4.5700	1.4400	4.5700
2005	0.2800	-	1.1300	4.5700	1.4100	4.5700
2006	0.2500	-	1.0000	4.5700	1.2500	4.5700
2007	0.2400	-	0.8900	4.5700	1.1300	4.5700
2008	0.2400	-	0.8900	4.5700	1.1300	4.5700
2009	0.2400	-	0.9200	4.5700	1.1600	4.5700
2010	0.2600	-	1.0400	4.5700	1.3000	4.5700
2011	0.2675	-	1.0900	4.5700	1.3575	4.5700

Notes:

(1) These rates are per \$100 of assessed value for real estate and personal property.

(2) A town assessed levy on personal property ceased in fiscal year 1989.

**TOWN OF HERNDON, VIRGINIA**

**Table 9**

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

Taxpayer	2011				2002		
	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	\$ 77,815,140	1	2.28 %	\$	-	-	-
Worldgate Centre Owner LLC	59,845,880	2	1.75		-	-	-
New Dominion	59,829,340	3	1.75		-	-	-
EQR-Worldgate LLC	50,595,890	4	1.48		-	-	-
EQR-Herndon LLC	48,016,820	5	1.40		-	-	-
AC/MRP Monument III Associates LLC	47,662,130	6	1.39		-	-	-
MIVPO LLC	46,220,430	7	1.35		-	-	-
CLF Herndon LLC	40,053,040	8	1.17		-	-	-
Washington Real Estate Investment Trust	37,756,410	9	1.10		-	-	-
Dulles Suites LLC	33,278,830	10	0.97		-	-	-
WGP Associates LLC	-	-	-		57,460,555	1	2.55 %
Federal National Mortgage	-	-	-		52,424,020	2	2.33
CB Monument II, Inc.	-	-	-		41,878,710	3	1.86
Worldgate Properties LLC	-	-	-		40,778,070	4	1.81
New Dominion Technology Park	-	-	-		36,229,065	5	1.61
Marriott International	-	-	-		34,456,495	6	1.53
Monument One LLC	-	-	-		33,456,990	7	1.49
Monument Four LLC	-	-	-		26,966,125	8	1.20
Britt Herndon Square LLC	-	-	-		24,765,535	9	1.10
Caleast Industrial	-	-	-		23,630,940	10	1.05
<b>Total</b>	<u><u>\$ 501,073,910</u></u>		<u><u>14.65 %</u></u>	<u><u>\$</u></u>	<u><u>372,046,505</u></u>		<u><u>16.51 %</u></u>

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
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%	36,729	10,998,358	99.97%
2010	10,019,464	9,970,734	99.51%	39,664	10,010,398	99.91%
2011	8,709,325	8,657,610	99.41%	N/A	8,657,610	99.41%

Source:

Town of Herndon Finance Department.

Note:

(1) Abatements and supplements which relate to prior years are recorded as revenue collections (or refunds) in year of receipt. Records do not exist which separate current fiscal year levy collections from prior tax year abatements and supplements.

**TOWN OF HERNDON, VIRGINIA**

**Table 11**

**RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Governmental Activities		Business-Type Activities	Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	General Bonded Debt Outstanding
	General Obligation Bonds	Capital Leases and Notes	Revenue Bonds				General Obligation Bonds		Debt Per Capita
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
2011	16,259,391	1,767,500	3,230,609	21,257,500	1.34%	900	16,259,391	0.48%	688

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, 2011  
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Fairfax County, Virginia	\$ 1,996,210,000	1.7394%	\$ 34,722,165
Town Direct Debt			<u>18,026,891</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 52,749,056</u></u>

Sources:

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



TOWN OF HERNDON, VIRGINIA

Table 13

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

	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$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	\$328,121,001
Total net debt applicable to limit	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	18,026,891
Available legal debt margin	<u>\$195,406,570</u>	<u>\$217,301,367</u>	<u>\$217,632,059</u>	<u>\$244,162,745</u>	<u>\$311,960,571</u>	<u>\$400,831,442</u>	<u>\$440,579,427</u>	<u>\$440,941,074</u>	<u>\$366,511,714</u>	<u>\$310,094,110</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	6.53%	5.45%	8.38%	7.02%	6.65%	5.00%	4.17%	3.80%	4.90%	5.49%

Legal Debt Margin Calculation for Fiscal Year 2011

Summary of Outstanding Debt:

Assessed value of real estate	<u>\$3,281,210,010</u>	2002 refunding bonds	\$1,540,000
Debt limit (10% of assessed value)	\$328,121,001	2003 general obligation bonds	4,700,000
Debt applicable to limit:		2003 taxable general obligation bonds	1,570,000
Net direct debt outstanding	<u>18,026,891</u>	2005 general obligation bonds	3,980,000
		2006 general obligation bonds	430,310
		2010 general obligation bonds	2,296,150
		2010 refunding bonds	1,742,931
Available legal debt margin	<u>\$310,094,110</u>	2009 fifteen-year note	1,765,000
		2010 twenty-year note	2,500
			<u>\$18,026,891</u>

Notes:

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

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

## TOWN OF HERNDON, VIRGINIA

Table 14

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

Golf Course Fund								
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
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	
2011	1,369,871	1,188,595	181,276	87,059	59,284	146,343	1.24	

  

Chestnut Grove Cemetery Fund								
Fiscal Year June 30,	Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
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	
2011	635,207	459,127	176,080	107,104	99,529	206,633	0.85	

## 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.
- (4) The bonds for the Chestnut Grove Cemetery Fund and the Golf Course Fund issued in fiscal year 2001 were refunded in fiscal year 2011. The last principal payment for the refunded bonds and the first principal payment for the refunding bonds were made in fiscal year 2011.

**TOWN OF HERNDON, VIRGINIA****Table 15****DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year June 30,	Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rates (%)
	(1)	(2)	(2)	(3)	(4)
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
2011	23,620	1,584,760	67,094	172,391	4.9

**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	2011	2002
	Employment Range	Employment Range
ITT Industries, Inc.	249-499	-
Boeing Satellite Systems	249-499	Over 200
REI Systems	249-499	-
Northwest Federal Credit Union	249-499	-
Worldgate Sport & Health Club	249-499	-
Town of Herndon	249-499	-
Air Line Pilots Association	249-499	-
Guident Technologies	249-499	-
Clear Wireless Broadband LLC	100-250	-
Medical Transportation Services	100-250	-
Airbus Industries of N. America	-	Over 200
Computer Associates	-	Over 200
Global One	-	Over 200
Logicon	-	Over 200
Oracle Corporation	-	Over 200
PSINet	-	Over 200
Sallie Mae	-	Over 200
Science Applications Int. Corporation	-	Over 200
Town of Herndon	-	Over 200

**Sources:**

Fairfax County Economic Development Authority.

Virginia Employment Commission.

Town of Herndon, Community Development and Finance Departments.

## TOWN OF HERNDON, VIRGINIA

Table 17

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

Function/Program	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Legislative	3.2	3.6	3.4	3.6	3.6	3.8	4.1	4.0	4.0	4.0
Administration:										
Public information (1)	N/A	N/A	0.9	1.0	0.8	1.7	1.5	1.5	1.5	1.5
Town manager	2.0	2.0	2.0	2.0	2.0	1.7	2.0	2.0	2.0	2.0
Human resources	4.0	3.5	3.4	3.3	4.3	3.5	3.4	3.3	3.5	3.5
Information services	5.0	6.0	6.0	5.9	6.2	5.9	6.1	6.0	5.7	5.3
Neighborhood resources (2)	3.5	4.1	4.2	4.9	5.3	3.9	4.7	3.5	-	-
Town attorney	2.5	2.4	2.7	2.8	2.8	2.9	2.8	3.0	2.6	2.6
Parks and recreation:										
Administration (5)	5.2	4.4	4.6	5.5	5.5	4.7	5.5	4.6	3.9	4.2
Recreation programs (5)	15.2	16.4	16.2	15.8	15.9	19.5	20.1	19.3	17.7	16.9
Community center operations	13.0	13.4	13.7	12.9	11.9	12.3	15.9	17.0	15.4	16.2
Aquatics programs and operations	12.9	12.9	13.5	13.1	13.5	11.6	12.9	13.6	13.4	13.3
Park operation and development	2.1	2.0	1.9	2.0	2.3	1.6	1.9	1.1	1.2	1.4
Finance:										
Administration	2.0	2.0	2.0	2.0	2.0	1.4	1.8	2.0	2.0	2.0
Billing and accounting	4.8	5.0	4.6	4.6	4.8	4.6	5.0	5.0	5.0	5.0
Revenue	2.3	3.0	3.0	2.6	3.0	3.4	4.6	3.8	3.2	2.8
Procurement	1.0	1.0	1.0	1.0	0.4	1.0	1.0	1.0	1.0	1.0
Community development (2), (3)	14.9	15.8	16.9	17.2	19.9	21.0	20.3	21.5	22.0	22.3
Police:										
Field operations (4), (5)	43.1	47.0	50.8	48.5	50.5	51.3	46.1	45.6	45.4	44.1
Support services (5)	24.7	25.2	24.4	24.0	23.5	25.1	32.0	33.7	35.0	33.9
Public works:										
Administration (5)	6.0	5.5	6.1	6.9	7.1	6.2	8.2	8.2	8.1	6.1
Engineering	3.8	3.8	4.8	3.9	3.8	4.2	4.6	5.0	5.0	5.0
Program management	4.6	3.9	2.3	3.2	3.1	3.0	2.0	2.8	3.0	3.0
Building inspections (5)	3.9	3.9	4.5	5.0	4.4	4.5	5.2	5.2	4.8	4.0
Building maintenance	6.5	6.8	6.4	6.7	7.0	8.2	8.0	8.3	8.4	8.3
Grounds maintenance (5)	11.1	10.6	11.5	10.5	10.4	10.1	10.1	10.4	10.5	7.8
Street maintenance	8.9	8.5	8.8	8.6	8.2	7.0	7.3	10.3	8.8	10.3
Refuse/recycling	16.3	16.7	15.9	16.3	17.1	17.9	18.1	17.4	16.9	17.0
Vehicle and equipment replacement	9.9	10.2	10.2	10.4	10.2	10.5	9.9	10.1	10.5	10.3
Traffic engineering	2.2	2.4	3.3	4.8	4.0	3.8	3.8	3.8	3.5	3.1
Right-of-way inspections	3.1	3.2	3.0	3.2	3.1	3.1	3.0	3.1	3.2	3.1

Water and Sewer:										
Customer service	2.9	3.0	3.8	3.1	2.9	3.3	2.0	3.7	3.8	3.8
Sewer service and maintenance	5.0	5.3	5.0	5.1	6.8	6.3	6.2	5.6	6.4	5.7
Water supply and maintenance	5.6	5.6	5.4	5.3	5.3	5.7	7.1	6.4	6.7	5.6
Golf Course:										
Maintenance	9.0	8.9	10.2	9.2	8.3	8.6	8.4	8.1	7.6	7.2
Clubhouse	5.1	5.1	5.7	5.8	6.0	5.9	6.2	6.3	6.0	5.7
Chestnut Grove Cemetery:										
Administration	2.6	2.9	4.3	4.2	4.5	4.4	5.1	4.9	5.0	4.9
<b>Total</b>	<b>268.0</b>	<b>276.1</b>	<b>286.1</b>	<b>285.3</b>	<b>290.4</b>	<b>293.4</b>	<b>306.9</b>	<b>311.0</b>	<b>302.5</b>	<b>292.9</b>

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

**TOWN OF HERNDON, VIRGINIA**

**Table 18**

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

Function/Program	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Calls for service	28,600	33,300	34,100	33,800	33,100	35,000	35,600	33,800	27,700	28,105
Administration:										
Number of recruitments	54	74	69	95	78	86	158	93	78	105
Building safety:										
Total building permits	249	278	546	661	685	361	310	168	342	308
Total inspections performed	4,676	3,304	3,200	5,352	3,628	3,864	3,628	3,766	3,446	3,421
Public service:										
Refuse collected (tons)	6,068	7,071	6,368	6,380	6,704	6,362	5,817	5,655	5,868	5,948
Recycle collected (residential and Recycling Center) (tons)	2,613	2,886	1,407	2,345	2,340	2,584	2,737	2,427	2,245	2,501
Parks and Recreation:										
Recreation program attendance	14,174	16,412	15,555	18,909	15,841	14,900	15,875	16,703	17,842	17,368
Herndon Festival attendance	90,000	77,000	48,000	83,000	82,000	79,000	85,000	83,000	79,000	82,000
Water and sewer:										
New utility accounts	84	111	130	246	72	26	30	24	10	50
Average daily water consumption (mgd)	2.24	2.29	2.38	2.42	2.39	2.52	2.42	2.30	2.09	2.14
Average daily sewage treatment (mgd)	2.85	3.61	2.78	2.77	2.58	2.48	2.39	2.40	2.58	2.49
Golf Course:										
Rounds played (18 and 9 hole)	44,532	35,388	38,303	34,718	31,017	33,705	34,940	32,781	32,110	30,098
Cemetery:										
Sites sold	142	154	150	216	164	164	139	147	184	163
Interments performed	108	134	122	139	140	144	102	133	174	117

**Sources:**

Town of Herndon Town Manager's Annual Reports for fiscal years 2002 through 2011.  
 Town of Herndon Adopted Annual Budgets for fiscal years 2002 through 2011.  
 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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	25	25	27	28	31	33	35	38	39	39
Refuse Collection:										
Collection trucks	7	7	7	8	8	8	8	8	9	9
Other public works:										
Vehicles/equipment maintained	358	365	367	369	370	372	374	375	375	377
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)	96.8	96.8	96.9	98.1	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	97.0	97.0	97.0	97.0	97.0	97.0
Swimming pools	1	1	1	1	1	1	1	1	1	1
Parks with playground equipment	6	6	6	6	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles)	80.0	82.0	83.0	85.0	87.0	88.0	88.7	88.7	89.3	89.3
Storage capacity (million gallons)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Wastewater:										
Sanitary sewers (miles)	75.0	76.0	77.0	78.0	80.0	80.8	81.3	81.3	81.8	81.8

**Sources:**

Town of Herndon Town Manager's Annual Reports for fiscal years 2002 through 2011.

Town of Herndon Adopted Annual Budgets for fiscal years 2002 through 2011.

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, 2011

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-through Entity Identification Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:			
<u>Pass-through payments:</u>			
<u>VA Department of Emergency Management</u> Disaster Grants - Public Assistance	FEMA-1905-DR-VA PA-03-VA-1905-PW-00025	97.036	\$ 64,583
<b>Total Department of Homeland Security</b>			<u>64,583</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
<u>Pass-through payments:</u>			
<u>Office of Community Planning and Development:</u> Community Development Block Grants	Not Provided	14.218	<u>87,289</u>
<b>Total Department of Housing and Urban Development</b>			<u>87,289</u>
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Direct payments:</u>			
<u>Bureau of Justice Assistance:</u> Bulletproof Vest Partnership Program		16.607	2,200
<u>Department of Justice:</u> ARRA - Edward Byrne Memorial Justice Assistance Grant Program		16.804	10,293
<u>Pass-through payments:</u>			
<u>Office of Juvenile Justice and Delinquency Prevention:</u> Youth Gang Prevention	2003-JD-FX-0003	16.544	156,807
<u>Department of Justice:</u> ARRA - Internet Crimes Against Children Task Force Program	2009-SN-B9-K011	16.800	<u>106,756</u>
<b>Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance</b>			<u>276,056</u>
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>VA Department of Rail and Public Transportation:</u> Highway Infrastructure Investment	EN03-235-121	20.205	88,757
<u>VA Department of Motor Vehicles:</u> State and Community Highway Safety	RS-2010 50152 3772 SC-2011 51232 4174	20.600	<u>41,338</u>
<b>Total Department of Transportation</b>			<u>130,095</u>
<b>Total Federal Awards Expended</b>			<u>\$ 558,023</u>

See Note to Schedule of Expenditures of Federal Awards.

# TOWN OF HERNDON, VIRGINIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2011

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-through Entity Identification Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:			
<u>Pass-through payments:</u>			
<u>VA Department of Emergency Management</u> Disaster Grants - Public Assistance	FEMA-1905-DR-VA PA-03-VA-1905-PW-00025	97.036	\$ 64,583
<b>Total Department of Homeland Security</b>			<u>64,583</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
<u>Pass-through payments:</u>			
<u>Office of Community Planning and Development:</u> Community Development Block Grants	Not Provided	14.218	<u>87,289</u>
<b>Total Department of Housing and Urban Development</b>			<u>87,289</u>
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Direct payments:</u>			
<u>Bureau of Justice Assistance:</u> Bulletproof Vest Partnership Program		16.607	2,200
<u>Department of Justice:</u> ARRA - Edward Byrne Memorial Justice Assistance Grant Program		16.804	10,293
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<b>Total Department of Transportation</b>			<u>130,095</u>
<b>Total Federal Awards Expended</b>			<u>\$ 558,023</u>

See Note to Schedule of Expenditures of Federal Awards.

## TOWN OF HERNDON, VIRGINIA

### NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

We have audited the financial statements of the Town of Herndon, Virginia, (town) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. 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 21, 2011.

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 21, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON 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 (town) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The town's major federal programs are identified in the Summary of Auditor's 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## 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 21, 2011

## TOWN OF HERNDON, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

## I. SUMMARY OF AUDITOR'S RESULTS

## Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> None Reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  √  </u> No

## Federal awards

Internal control over major programs:

Material weaknesses identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> None Reported

Type of auditor's 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?	<u>      </u> Yes	<u>  √  </u> No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16.544	Youth Gang Prevention
16.800	ARRA – Internet Crimes Against Children
20.205	ARRA - Highway Infrastructure Investment

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

Auditee qualified as low-risk auditee?	<u>      </u> Yes	<u>  √  </u> No
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**TOWN OF HERNDON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

II. FINANCIAL STATEMENT 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, 2011**

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audits' Summary Schedule of Prior Audit Findings.