



Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2024

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TOWN OF HERNDON, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2024

Prepared by the
Department of Finance

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**TOWN OF HERNDON, VIRGINIA
FINANCIAL REPORT**

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INTRODUCTORY SECTION

November 18, 2024

Dear Mayor Olem, Members of the Town Council and Residents of the Town of Herndon, Virginia

We are pleased to present to you the Annual Comprehensive Financial Report of the Town of Herndon, Virginia (the Town), for the fiscal year ended June 30, 2024. 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 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 unmodified audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts.

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

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

The Town's financial statements have been audited by Brown Edwards & Company, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2024, 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, Virginia, incorporated in 1879, is located in the northwest quadrant of Fairfax County. Part of the Washington DC Metropolitan Area, Herndon is approximately 23 miles west of the city, accessible via Metrorail's Silver Line, and two miles east of Washington Dulles International Airport. The Town has a land area of 4.25 square miles. A rural dairy outpost at its founding, Herndon is now home to 24,935 residents, according to the 2023 U.S. Census annual population estimate. The Town's currently adopted comprehensive master plan anticipates a population increase to approximately 28,200 in 2030.

The Town of Herndon is the third largest Town in the Commonwealth of Virginia. Amidst a 21st-century Northern Virginia landscape of high-rise buildings, industrial complexes and transportation hubs, Herndon maintains a small-town charm that is evident in its downtown, its neighborhoods and its commercial areas. The Town boasts a unique synergy between its powerful sense of community and its stature as a 21st-century business center at the hub of the region's high-tech corridor, resulting in a blending of the old and the new into a foundation that provides solid support for small, medium, and large businesses. Businesses have cited the highly qualified workforce available in the Town, proximity to Dulles International Airport and the nation's capital, and transit accessibility as reasons for choosing to relocate or expand in the Town of Herndon.

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 Town Manager, appointed by the Town Council, serves as chief administrative officer and is charged with directing all business affairs of the Town.

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

The Town's annual budget serves as the foundation for the town's financial planning and control. 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 then required to adopt a budget, to include tax rates, prior to July 1. Activities of the General Fund, Capital Projects Fund, and Enterprise Funds (Water and Sewer, Cemetery, and Golf Course) are included in the annual appropriations resolution and adopted budget. Town residents and business owners are provided with proposed budget information and summaries on the town's website and via direct mail, and public hearings are held to seek public input prior to Town Council adoption of the budget.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by individual fund. Management control is maintained at the department level, with all departments having online access to expenditure account information. The town also maintains an encumbrance accounting system; encumbered amounts lapse at year end, except for capital projects, grants, and certain restricted funds. If requested by the Town Manager and approved by the Town Council, encumbered amounts may be re-appropriated as part of the following year's budget.

Local Economic Conditions and Outlook

Located in Fairfax County, the center of the Dulles Technology Corridor, Herndon enjoys a significant corporate presence that includes Amazon Web Services, Beacon Roofing Supply, Boeing, Hawkeye 360, Karsun Solutions, Northwest Federal Credit Union, Peraton, Serco, and a significant federal presence. Per Census Bureau data, the town's median household income in 2022 was \$133,403. As of May 2024, current unemployment rates are 3.9 percent nationally, 2.8 percent for the Commonwealth of Virginia and 2.0 percent for Fairfax County.

The Herndon business community is populated by a wide array of businesses, from home-based occupations to corporate headquarters, and from small family-owned grocery stores to firms specializing in computer software development and systems integration. There is also a strong presence in telecommunications, internet and internet-related services, financial services, and government contractors. A sizable proportion of these jobs are high-value-added positions characterized as technical, professional, scientific service occupations.

The overall economic outlook assumes a continued increase in residential property values, offset by moderate declines in commercial property values in the near term. The town anticipates a continued upward trend in the hotel occupancy tax, which declined significantly during the COVID-19 pandemic. The meal tax revenue in the near term should have a modest increase with inflation driving higher average check values. Business license tax remains robust, with the remaining local tax sources expected to be relatively flat.

The town continues to attract interest in infill residential development and the redevelopment of older commercial properties. A Metrorail Silver Line station opened in Herndon in 2022. It has spurred strong redevelopment interest in the areas adjacent to the new station. Several properties are in various stages of design and redevelopment approval.

Additionally, the town is committed to fostering entrepreneurship. In February 2023, in partnership with George Mason University, the Mason Enterprise Center-Herndon, opened at Office Evolution in Herndon. The Center's semi-annual report (February 2024 – October 2024) stated the Center's ~20 advisors counseled and trained ~183 small businesses and conducted ~489 sessions with clients in and around the Town of Herndon. During this time, the reported economic impact resulted in five new businesses, 37 jobs, and \$1.27 million in capital formation.

A long-range economic goal for the town is to continue to attract new businesses and encourage existing business expansion within the town. Located 23 miles west of Washington D.C., in what is often referred to as the "high-tech corridor," the Town of Herndon continues to benefit from its proximity to the city, which provides a strong impetus for continued growth.

The town's five-year (2024-2029) Strategic Plan includes an Environmental and Economic Sustainability strategic focus area, with initiatives focused on the establishment of an economic development strategic plan. The town will be conducting a market study in 2025, with the intent to inform the development of an economic development strategic plan focused on identifying programs to enhance core commercial areas, providing strategies in attracting and retaining businesses, identifying targeted industries and job growth opportunities, providing strategies to decrease the town's commercial vacancy rate, and creating an action plan to successfully market and promote the Town of Herndon.

Additional information on the town's activities may be found in the annual report online at <https://www.herndon-va.gov/annualreport>.

Long-term Financial Planning

In fiscal year 2023, the town received a Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant from the U.S. Department of Transportation for \$720,000 to fund a new town-wide comprehensive plan. The project will commence in the second half of fiscal year 2025, with a consultant team engaging the community, technical specialists, and economic and market experts to formulate a comprehensive plan built upon equity, environmental and fiscal sustainability. The plan will serve as a policy guide for future town decisionmakers over the next 25 years.

Financial Policies

The Mayor and Town Council adopted the Updated Financial & Internal Administrative Policies resolution in May 2018, which provides accounting, budgeting, and financial management directives. These financial policies were updated based on advice from the town's financial advisors. Financial policies are a key component of the town's annual budgetary planning process, which highlights the organization's commitment to fiscal integrity and sound financial management. To maintain sound financial management, the policy states the General Fund unassigned fund balance should be maintained at a minimum of 20 percent of total General Fund operating expenditures. Further, the policy establishes guidelines for the revenue stabilization fund, contingency fund, and capital reserve fund. The policies also place limits on how much long-term debt the town can incur so that the total of combined outstanding and proposed debt is no greater than the town's maximum debt capacities.

Major Initiatives

The town has several focus areas that will significantly impact its economy in the coming years: the Herndon Metrorail station area, redevelopment of downtown Herndon, and the Transit Related Growth area.

The Herndon Metrorail station opened in November 2022 as part of Phase 2 of the Washington Metro Silver Line project. The town continues to focus on the implementation of the Herndon Transit-Oriented Core (HTOC) plan, adopted by the Town Council in 2012, that focuses on redevelopment of 38 acres near the station. The plan calls for the transformation of the existing low-rise office space into transit-oriented development to include office, residential, hotel, and retail space.

To date, two properties have received development entitlements. Both properties have been approved for a mix of residential, office, and retail with garage parking. One of the properties has advanced its first phase of development to site plan review. The site plan encompasses a mid-rise apartment building with ground floor retail and parking provided by a partially enclosed parking garage. With a floor area ratio of 2.2 FAR, the plan provides 400,250 square feet of residential and 5,360 square feet of retail/restaurant space. The second phase of the site accommodates an office building of not less than 200,000 square feet. The second phase is not scheduled or the subject of a site plan at this time. Two development scenarios, both consisting of three buildings and structured parking, have been approved for the second property. The lower density option provides approximately 300,000 square feet of residential, 191,855 square feet of office and 9,900 square feet of residential. The higher density option consists of approximately 600,000 square feet of residential, 400,000 square feet of office and 9,900 square feet of retail. A third property has submitted a development plan for review and consideration by the planning commission and town council. The plan is currently under review by town staff. The proposed development consists of a seven-story building of 631,089 square feet. The majority of the project, 96.7%, is devoted to residential apartments, with the remainder devoted to retail and office commercial.

The Herndon Downtown Redevelopment Project, a partnership between the town and Comstock Herndon Venture LC, has been progressing since April 2024 after the developer exercised its right to a market pause for two years due to market conditions related to an increase in construction and labor costs. This project is approved for 273 apartments, 17,000 sf of retail space, an Arts Center, and a 726-space parking garage. The project is expected to commence construction by April 30, 2025.

The Transit-Related Growth Area (TRG) plan was adopted in 2024. The 94 acres of the TRG are a strategic location for redevelopment as the area is within walking distance of the Herndon Metro station and is currently primarily comprised of aging low density commercial structures.

During 2024, the town council approved a redevelopment plan for 13100 & 13150 Worldgate Drive. The approved plan provides for the demolition of two existing office buildings to be replaced with up to 359 multifamily units, 52 stacked townhouse units and 49 townhouse units. A portion of the existing garage is slated to remain and provide parking for the multifamily structure. The site plan is currently under review.

Awards and Acknowledgements

Golf Course – By continuing its tradition of providing high quality playing conditions, value and service, Herndon Centennial remains one of the premier public golf courses in the Northern Virginia metropolitan area. During the fiscal year, the course maintained its designation as a “Certified Audubon Cooperative Sanctuary,” with a focus on increasing wildlife habitat areas and reduced water and chemical usage.

Tree City USA – The Community Forestry Division of the Department of Community Development received a Tree City USA award from the National Arbor Day Foundation. This is the 35th consecutive year that the town has achieved this award, confirming the town’s commitment to its tree canopy and environmental stewardship.

AAA Credit Rating – The town maintained its “triple, triple” credit rating, the highest credit rating possible for a local government, from all three credit agencies: Moody’s Investors Service, Inc. (Aaa), Standard and Poor’s Corporation (AAA), and Fitch Investor Service (AAA).

Distinguished Budget Presentation Award – The Government Finance Officers Association of the United States of America and Canada (GFOA) has awarded the town with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2023. This is the 33rd 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. The town's budget documents for the fiscal year beginning July 1, 2024, were submitted to GFOA for consideration for another Distinguished Budget Presentation Award.

Certificate of Achievement for Excellence in Financial Reporting – The GFOA has also awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Herndon, Virginia, for its annual comprehensive financial report for the fiscal year ended June 30, 2023. This was the 49th consecutive year that the town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive 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.

The Town of Herndon continues to maintain a stable financial position through responsible progressive management of financial operations combined with sound accounting and financial reporting practices. The timely preparation of this report could not have been accomplished without the effort of the entire staff of the Department of Finance and the town's independent auditors. 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 mayor and the members of the Town Council for their interest and continued support in planning and conducting the financial operations of the town in a responsible and progressive manner.

Respectfully submitted,

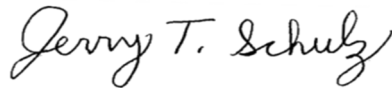
A handwritten signature in black ink, reading "Christopher E. Martino". The signature is written in a cursive style with a large, stylized "C" and "M".

Christopher E. Martino

Interim Town Manager

A handwritten signature in black ink, reading "Marjorie E. Sloan". The signature is written in a cursive style with a large, stylized "M" and "S".

Marjorie E. Sloan, CPA
Director of Finance

A handwritten signature in black ink, reading "Jerry T. Schulz". The signature is written in a cursive style with a large, stylized "J" and "S".

Jerry T. Schulz, CPA
Deputy Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Herndon
Virginia**

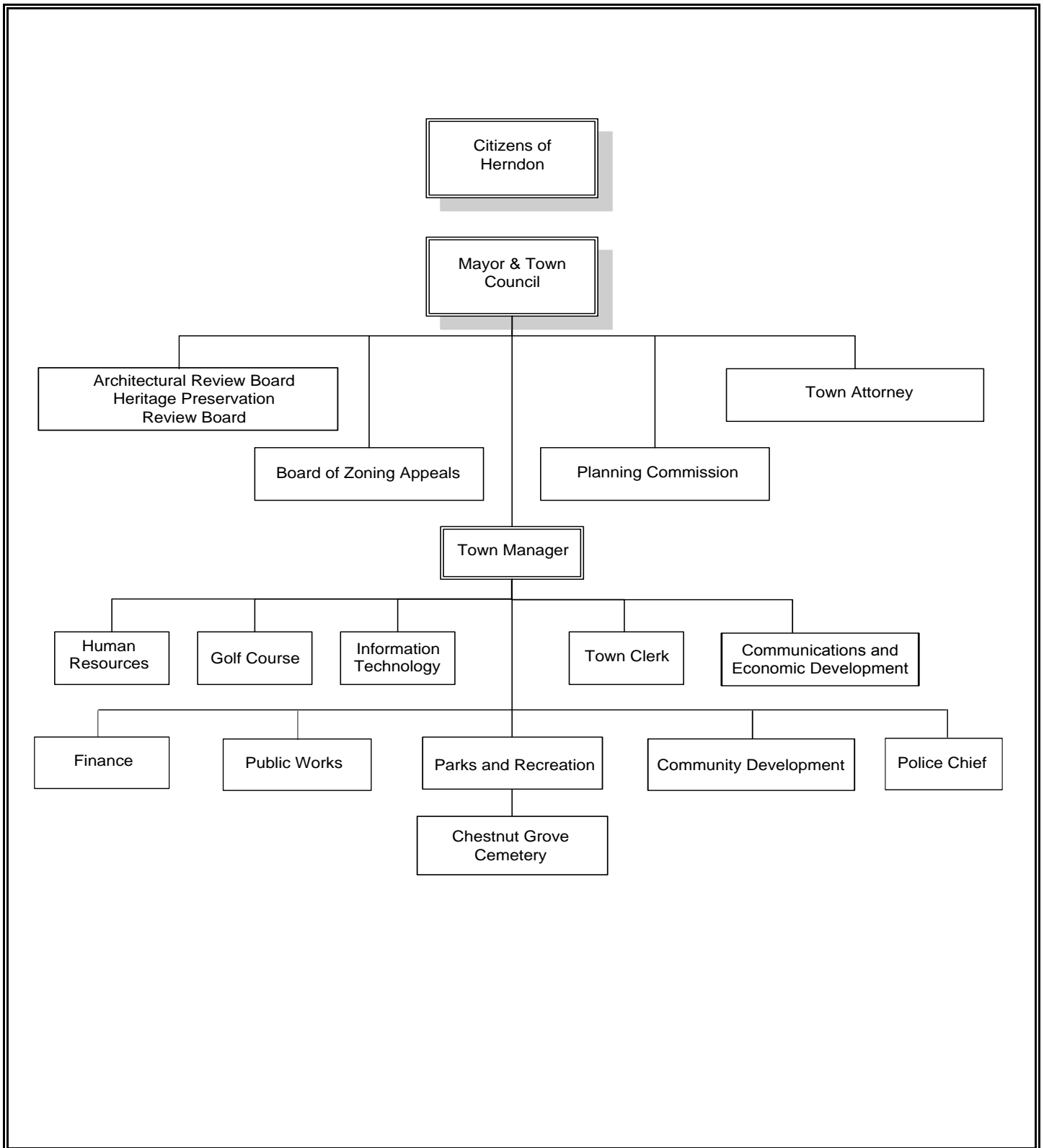
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

TOWN OF HERNDON, VIRGINIA ORGANIZATION CHART





Annual Comprehensive Financial Report
Year Ended June 30, 2024

Directory of Officials

Sheila A. Olem
Mayor

TOWN COUNCIL

Clark Hedrick – Vice Mayor
Naila Alam
Cesar del Aguila
Pradip Dhakal
Keven LeBlanc
Donielle M. Scherff

MANAGEMENT TEAM

Christoper E. Martino (effective 9/10/24)
William H. Ashton II (to 9/10/24)
Town Manager

Lesia J. Yeatts
Town Attorney

Anne P. Curtis
Maggie A. DeBoard
Mike Mueller
Elizabeth M. Gilleran
Page Kalapasev
Tanya J. Kendrick
Bob Williams
Scott Robinson
Marjorie Sloan
Kirstyn Barr Jovanovich

Chief Communications Officer
Chief of Police
General Manager
Director of Community Development
Director of Information Technology
Director of Human Resources
Director of Parks and Recreation
Director of Public Works
Director of Finance
Town Clerk

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

Prepared by the Department of Finance

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Herndon, Virginia (the "town"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the town, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and American Rescue Plan Act Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the financial statements of the Town as of June 30, 2023, and we expressed an unmodified opinion on those statements in our report dated November 17, 2023. The 2023 financial information, included in Exhibits A-12 and A-13, is provided for comparative purposes only.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024, on our consideration of the town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 18, 2024

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Town of Herndon, Virginia's (town) financial activities is an overview of the town's financial performance for the fiscal year ended June 30, 2024. Please read it in conjunction with the transmittal letter located in the introductory section of this report and the town's basic financial statements, which follow this management's discussion and analysis (MD&A).

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2024

- The town's total net position at the end of the current fiscal year is \$175.8 million, which represents an increase of \$21.7 million or 14% over the prior year. Of this amount, \$56.0 million in unrestricted net position may be used to meet the town's ongoing obligations to citizens and creditors. See Table 1 for more information.
- The town's governmental activities net position increased by \$17.5 million in fiscal year 2024 versus \$12.3 million in fiscal year 2023. The \$5.2 million increase was driven by increased general revenues of \$2.2 million, increased program revenues of \$6.2 million, and offset by increased total expenses of \$3.1 million. See Table 2 for more information.
- For the town's business-type activities, net position increased by \$4.1 million in fiscal year 2024 versus an increase of \$2.3 million in fiscal year 2023. The fiscal year 2024 increase is primarily due to the favorable operating performance at all three business-type activities: Water and Sewer, Golf Course and Chestnut Grove Cemetery. See Table 2 for more information.
- As of the close of the current fiscal year, the town's governmental funds reported combined ending fund balances of \$42.8 million, an increase of \$3.2 million from the previous fiscal year. This change was comprised of an increase in the General Fund balance of \$3.1 million, an increase in the ARPA Fund balance of \$0.9 million, and an increase of \$0.1 million to other governmental fund balance, which was offset by a \$0.9 million decrease in the Capital Projects Fund balances. The General Fund balance increase was driven by revenues exceeding expenditures with business license and meals tax revenues exceeding expectations due to a strong economy and inflationary prices. The town's operating department expenditures were less than expected due to the continued Comstock market pause of the downtown redevelopment project. The Capital Projects Fund balance decreased by \$0.9 million, due primarily to the decrease in assigned fund balance driven by the town's use of funds to complete several major transportation projects. The ARPA Fund balance increased \$0.9 million due to interest earned from investing the cash received in advance of project expenditures. Other governmental fund balance increased by \$0.1 million due to a slight increase in the Cemetery Perpetual Care Fund assets. See Table 3 for more information.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund increased \$2.3 million to \$19.6 million because of the increase in other local taxes. The General Fund's unassigned fund balance is available for spending at the town's discretion and represents approximately 48 percent of total General Fund expenditures and 46 percent of the total fund balance of the governmental funds. See Table 3 for more information.
- For the current fiscal year-end, General Fund total revenues exceeded the amended budget by approximately \$2.1 million. Other local taxes, which include business license tax, meals tax, and transient occupancy tax were the main reason revenues exceeded the amended budget. Parks and Recreation's charges for services were lower than budget mostly because the Herndon Festival was canceled. Total expenditures, other financing, and transfers were less than the amended budget amounts by \$7.8 million, mostly due to non-departmental expenditures related to the downtown redevelopment project not materializing during the fiscal year because the developer and the town agreed to extend the agreement to pause construction of the project and to finalize the details in December 2024. See Table 4 for more information.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2024 (Continued)

- The town's net capital assets increased by \$12.7 million from the prior fiscal year, with new investments of \$17.2 million coming mostly from eight infrastructure improvement projects that were completed by the end of the fiscal year. See Table 5 for more information.
- The town's total outstanding debt is \$17.5 million, which is a decrease of \$1.6 million, driven mainly by debt service payments during the normal course of business. See Table 6 for more information.

USING THE FINANCIAL SECTION OF THIS ANNUAL COMPREHENSIVE FINANCIAL REPORT

The financial section of this report has five components – independent auditors report, management's discussion and analysis, the basis financial statements, required supplementary information, and other supplementary information. The MD&A is intended to serve as an introduction to the town's basic financial statements. The basic financial statements consist of three components - government-wide financial statements, fund financial statements, and notes to the financial 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 like private-sector business. The statements provide readers with an insight into short-term and long-term financial position for the town during the fiscal year.

The *Statement of Net Position* presents information on all the town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the town is improving or declining. In addition, non-financial 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 *Statement of Activities* presents information showing how the town's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received or paid (accrual basis of accounting). 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 divide the 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 divided 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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Business-type Activities – These activities are intended to recover all or a significant portion of their expenditures through charge for services or user fees. At the end of the fiscal year, the town has three business-type activities funds: 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).

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the town's most 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 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 helps the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the town's programs. The town's governmental funds include the General Fund, Capital Projects Fund, American Rescue Plan Act (ARPA) Fund, and Chestnut Grove Cemetery Perpetual Care Fund.

Proprietary Funds – These funds are used to account for the operations that are financed in a manner like private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both short-term and long-term financial information. The town uses *enterprise funds* (one type of proprietary fund) to account for the activities of the Water and Sewer Fund, Golf Course Fund, and Chestnut Grove Cemetery Fund.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside of town government. The town is responsible for ensuring the assets reported in the fund are used for their intended purposes. The town's fiduciary activities are reported in a separate statement of fiduciary net position. The town excludes these activities from the town government-wide financial statements because the town cannot use these assets to finance its programs. The town's fiduciary fund accounts for the Police Supplemental Retirement Pension Trust Fund.

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 can be found in the section titled "Notes to the Financial Statements" of this report, which immediately follows the basic financial statements.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position:

The following table presents the condensed Statement of Net Position (Exhibit A-1) in comparative format:

Table 1
Summary Statement of Net Position
Comparison as of June 30 (thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 76,195	\$ 85,279	\$ 24,272	\$ 20,424	\$ 100,467	\$ 105,703
Capital assets, net	113,480	100,889	24,258	24,176	137,738	125,065
Total assets	189,675	186,168	48,530	44,600	238,205	230,768
Deferred outflows of resources	2,500	3,567	322	447	2,822	4,014
Current and other liabilities	18,289	29,844	1,635	1,507	19,924	31,351
Non-current liabilities	15,687	16,620	10,133	10,480	25,820	27,100
Total liabilities	33,976	46,464	11,768	11,987	45,744	58,451
Deferred inflows of resources	17,906	20,527	1,620	1,710	19,526	22,237
Net Position:						
Net investment in capital assets	102,659	92,390	14,929	14,579	117,588	106,969
Restricted	2,055	2,359	92	92	2,147	2,451
Unrestricted	35,578	27,995	20,444	16,680	56,022	44,675
Total net position	\$ 140,292	\$ 122,744	\$ 35,465	\$ 31,351	\$ 175,757	\$ 154,095

Net position may serve over time as a useful indicator of the town's financial position. The town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$175.8 million, representing an increase of \$21.7 million from the prior year. About 32 percent of the town's net position is unrestricted and available to meet the town's ongoing obligations to citizens and creditors.

The larger net position sub-component, labeled "Net investment in capital assets," reflects the town's investment in capital assets (e.g., land, infrastructure, buildings, improvements, machinery and equipment, intangible assets, and construction in progress), net of accumulated depreciation and amortization and outstanding debt associated with acquisitions. The town uses its capital assets to provide 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.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities:

The following table summarizes Changes in Net Position (Exhibit A-2) in comparative format:

Table 2
Summary of Changes in Net Position
Comparison for the fiscal years ended June 30 (thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 3,415	\$ 3,156	\$ 13,040	\$ 11,641	\$ 16,455	\$ 14,797
Operating grants and contributions	2,132	2,537	-	-	2,132	2,537
Capital grants and contributions	17,625	11,323	1,405	84	19,030	11,407
Total program revenues	23,172	17,016	14,445	11,725	37,617	28,741
General revenues:						
General property taxes	13,914	13,724	-	-	13,914	13,724
Other local taxes	18,621	17,148	-	-	18,621	17,148
Intergovernmental non-categorical aid	1,183	1,248	-	-	1,183	1,248
Use of money and property	3,537	2,666	931	631	4,468	3,297
Miscellaneous	626	846	169	649	795	1,495
Total general revenues	37,881	35,632	1,100	1,280	38,981	36,912
Total revenues	61,053	52,648	15,545	13,005	76,598	65,653
Expenses:						
General government administration	7,761	6,892	-	-	7,761	6,892
Parks and recreation	4,679	4,434	-	-	4,679	4,434
Community development	2,368	2,474	-	-	2,368	2,474
Police	12,789	10,805	-	-	12,789	10,805
Public works	15,663	15,539	-	-	15,663	15,539
Interest	204	231	-	-	204	231
Water and sewer	-	-	8,653	8,151	8,653	8,151
Golf course	-	-	2,105	1,899	2,105	1,899
Chestnut Grove cemetery	-	-	714	689	714	689
Total expenses	43,464	40,375	11,472	10,739	54,936	51,114
Change in net position before transfers	17,589	12,273	4,073	2,266	21,662	14,539
Transfers	(41)	(7)	41	7	-	-
Change in net position	17,548	12,266	4,114	2,273	21,662	14,539
Net position, July 1	122,744	110,478	31,351	29,078	154,095	139,556
Net position, June 30	\$140,292	\$122,744	\$35,465	\$31,351	\$175,757	\$154,095

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities: (Continued)

Governmental Activities

During the current fiscal year, governmental-type activities increased the town's net position by \$17.5 million as revenues exceeded expenses and transfers.

Revenues: For the current fiscal year ended June 30, 2024, revenues for governmental activities totaled \$61.1 million, an increase of \$8.4 million or 16.0 percent increase from the prior fiscal year. Total program revenues increased by \$6.2 million and total general revenues increased by \$2.2 million.

The increase in total program revenues for governmental activities consists of a \$0.3 increase in charges for services, a \$0.4 million decrease in operating grants and contributions, and a \$6.3 million increase in capital grants and contributions.

Charges for services were flat compared to the previous fiscal year, increasing only \$0.3 million. This revenue stream is mainly comprised of revenues generated by Parks and Recreation and Public Works programs and services. Operating grants decreased by \$0.4 million primarily due to the decrease in police grants and contributions of \$0.5 million.

Capital grants and contributions increased by \$6.3 million primarily due to an increase in American Rescue Plan Act grant (ARPA) revenue of \$6.3 million. Total capital transportation grant and ARPA intergovernmental revenues during the fiscal year were \$5.7 and \$10.5 million, respectively, as shown in Exhibit B-5 and A-8.

Total general revenues increased by \$2.2 million from the prior fiscal year, driven primarily by increases in other local taxes and use of money.

Other local taxes, the town's largest combined revenue source, was \$18.6 million, increased by \$1.5 million from the prior fiscal year. Business license tax, meals tax, transient occupancy tax, and local sales tax all increased because of increased demand from the resilient American consumer, and general economic inflation. The town's tax rates remained unchanged in each of these taxes from the prior year.

Use of money and property increased \$0.9 million from the prior fiscal year because the town had entire fiscal year to earn interest at the evaluated interest rate level. The town's investments in (Local Government Investment Pool (LGIP) had an effective monthly yield of 5.55% as of June 30, 2024, compared to 5.37% as of June 30, 2023.

General property taxes, the town's single largest revenue source, was \$13.9 million, which increased only \$0.2 million from the prior fiscal year. The taxable assessed value of real property within the town, including Public Service Corporations (PSCs), for calendar year 2023 (fiscal year 2024) was \$5.5 billion, an increase of 3.0 percent over the prior year's taxable assessed values. Residential property values increased by 6.0 percent and commercial property values decreased by 1.1 percent. Assessed values for PSCs increased by 1.6 percent. The town's real estate tax rate was reduced by \$0.005 to \$0.260 per \$100 of assessed value.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities: (Continued)

Expenses: For the current fiscal year-end, expenses for governmental activities totaled \$43.5 million, an increase of \$3.1 million or 7.7 percent from the prior fiscal year.

The town's three largest programs, other than general government administration, are public safety, public works, and parks and recreation. These three programs comprise 76 percent of total governmental expenses.

Expenses related to employee salaries and benefits across all town governmental activity programs including the largest three programs increased \$2.7 million or 10.3%. This increase was driven by two factors; increased pay rates of approximately five percent for pay for performance and market rate adjustments, and increased FTE (full-time equivalents) employment. The town had almost eight FTEs more than the prior year, but is still below pre-pandemic levels as shown in Statistical Table 16.

Business-Type Activities

During the current fiscal year, business-type activities net position increased by \$4.1 million primarily due to the favorable operating performance at all three business-type activities: Water & Sewer, Golf Course and Chestnut Grove Cemetery. This compares to the prior year \$2.3 million increase. See the proprietary fund financial Statement of Revenues, Expenses, and Changes in Net Position in Exhibit A-10 for more details.

Program revenue charges for services for business-type activities include customer-paid fees for water and sewer, cemetery, and golf services. Charges for services revenue increased by \$1.4 million as the Water and Sewer and Golf funds experienced increasing revenues from the prior year. The Water and Sewer Fund was up about \$1.2 million primarily due to increased water and sewer rates. During the year, the town increased water rates by 5% and sewer rates by 16% as recommended by the water and sewer financial rate model consultants. Golf revenues were up slightly by \$0.2 million due to an approximate 8% increase in green and cart fees. Chestnut Grove Cemetery revenues were up less than \$0.1 million to an increase in interment rights for sites sold and interment performed as shown in Statistical Table 17.

Program revenue capital contributions increased \$1.3 million primarily due to a \$1.1 million increase in Water & Sewer Fund availability fees received from new residential developments in the town. The Cemetery Fund received \$0.2 in capital assets contributions from the ARPA Fund.

Business-type activities expenses increased for all three businesses by \$0.7 million or 6.8% from the prior year. This increase is primarily due to employee salaries, benefits, and general economic inflation of all materials and services used in operating each of these businesses.

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, American Rescue Plan Act (ARPA) Fund, and one non-major governmental funds - the Chestnut Grove Cemetery Perpetual Care Fund. See Note 1 in the notes to financial statements section for more fund information.

The following table summarizes Governmental Fund Balances (Exhibit A-3) in comparative format:

Table 3
Governmental Fund Balances
Comparison as of June 30 (thousands)

	General		Capital Projects		ARPA		Other Governmental		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Non-spendable	\$ 335	\$ 289	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 335	\$ 294
Restricted	-	1,053	1,841	1,680	-	-	2,055	1,989	3,896	4,722
Assigned	13,329	11,542	3,915	4,916	1,725	852	-	-	18,969	17,310
Unassigned	19,638	17,358	-	-	-	-	-	-	19,638	17,358
Total fund balances	\$33,302	\$30,242	\$ 5,756	\$ 6,601	\$ 1,725	\$ 852	\$2,055	\$1,989	\$42,838	\$39,684

As of the end of the current fiscal year, the town's total governmental fund balance increased by 7.9% to \$42.8 million from the prior fiscal year. The main driver of this increase was the General Fund, which increased by \$3.1 million and the ARPA Fund, which increased \$0.9 million. These increases were partially offset by a decrease in the Capital Projects Fund of \$0.9 million.

The General Fund unassigned fund balance increased by \$2.3 million because revenues exceeded expenditures during the year driven by growth in other local taxes. The General Fund unassigned fund balance of \$19.6 million represents approximately 48 percent of the General Fund's expenditures, excluding transfers out, for fiscal year 2024.

The fiscal year 2024 Capital Projects Fund restricted fund balance increased slightly by \$0.2 million, and it represents stormwater taxes collected by Fairfax County on real property within the town's limit, to be spent solely for qualifying stormwater projects. The Capital Projects Fund assigned fund balance decreased \$1.0 million because these funds were used to complete some transportation capital projects such as Van Buren Complete streets and the Herndon Parkway and Van Buren Street intersection.

The ARPA Fund's assigned fund balance increased by \$0.9 million due to interest earned from investing the cash received in advance of project expenditures.

Other Governmental fund balances increased \$0.1 million from the prior fiscal year. This slight increase is primarily attributable to the small increase in assets of the Cemetery Perpetual Care Fund.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Proprietary funds - The financial statements for 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 for business-type activities, but in greater detail. The enterprise funds' total net position of the three funds increased by \$4.1 million from the prior year as shown in Exhibit A-10. Unrestricted net position, shown in Exhibit A-9, for each of the three enterprise funds increased from the prior year as follows:

- | | |
|--------------------------------|---|
| ➤ Water and Sewer Fund | Increased to \$14.3 million from \$11.8 million |
| ➤ Golf Course Fund | Increased to \$ 2.9 million from \$ 2.4 million |
| ➤ Chestnut Grove Cemetery Fund | Increased to \$ 3.3 million from \$ 2.5 million |

For fiscal year 2024, the combined operating income of all the proprietary funds was \$2.0 million. The Water and Sewer Fund, Golf Fund, and Chestnut Grove Cemetery Fund posted operating income of \$0.8 million, \$0.7 million, and \$0.5 million, respectively, as shown on Exhibit A-10.

The Water and Sewer Fund's improved operating income of \$0.8 million is primarily attributable to increased water and sewer rates charged to town customers. Last year the fund had an operating income of \$0.5 million. During the year, the town increased water rates by 5% and sewer rates by 16% as recommended by the water and sewer financial rate model consultants. Net non-operating revenues outweighed non-operating expenses at \$0.3 million due to higher interest income earned on LGIP investments. Due to some new residential developments in the town, the fund had \$1.2 million in water and sewer availability fees, which added to net position.

Operating income for the Golf Fund of \$0.7 million is slightly lower than last year's \$0.8 million due to increased inflationary operating expenses. The number of rounds played was 52,378, which represents a 9% increase over the previous year as shown in Statistical Table 17. The increase in operating revenues of approximately \$0.2 million over the prior year was attributable to an approximate 8% increase in green fees for the full fiscal year. Net non-operating revenues outweighed non-operating expenses at \$0.2 million due to higher interest income earned on LGIP investments.

The Cemetery Fund's operating income is approximately the same as last year at \$0.5 million. Net non-operating revenues outweighed non-operating expenses at \$0.1 million due to higher interest income earned on LGIP investments. Capital assets of \$0.2 million were contributed to the Cemetery from the ARPA Fund.

See Exhibits A-9 and A-10 for further details for each fund's financial statement line items.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

The following table summarizes the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Exhibit A-7):

Table 4
General Fund Budget to Actual (thousands)

	Fiscal Year 2024			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
Taxes	\$ 29,516	\$ 30,346	\$ 32,624	\$ 2,278
Intergovernmental	4,576	5,731	5,105	(626)
Other	5,580	5,580	6,054	474
Total revenues	39,672	41,657	43,783	2,126
Expenditures	40,524	48,380	40,890	7,490
Other financing (sources) & transfers out (in)	150	96	(167)	263
Total expenditures	40,674	48,476	40,723	7,753
Change in fund balance	(1,002)	(6,819)	3,060	9,879
Fund balance, beginning	29,059	29,059	30,242	1,183
Fund balance, ending	\$ 28,057	\$ 22,240	\$ 33,302	\$ 11,062

The final amended budget for revenues exceeded the original budget by \$2.0 million. This was primarily due to increasing the BPOL tax and intergovernmental revenues budget to fund appropriations for increased public safety expenditures and the town's new comprehensive plan. The final amended budget appropriations, which include expenditures, other financing, and transfers, exceeded the original budget by \$7.8 million. This was primarily due to the appropriation of carryover expenditures for the downtown redevelopment project at \$4.0 million, carryover expenditures for previous contracts at \$1.2 million, the town's comprehensive plan at \$0.7 million, increased public safety expenditures at \$0.9 million, and other operations and maintenances expenditures of \$1.0 million.

At the conclusion of the fiscal year, total revenues exceeded the amended budget amount by \$2.1 million which was led by taxes exceeding budget by \$2.3 million. Actual expenditures, other financing and transfers were lower than the amended budget amounts by \$7.8 million. This was primarily due to \$4.0 million budgeted for the downtown redevelopment project, but the actual expenditure did not occur in the fiscal year because the developer and the town agreed to extend the agreement to pause construction of the project and to finalize details in December 2024. Also, another \$2.6 million was budgeted for initiatives in the Public Works and Community Development departments whereby the actual expenditure for these initiatives such as paving, and the town comprehensive plan did not occur due to delays and are now expected to happen in fiscal year 2025.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Highlights of the comparison of the amended budget to actual figures for the fiscal year ending June 30, 2024, include the following:

- Tax revenues exceeded expectations by \$2.3 million with business license, meals, and transient occupancy taxes coming in with higher actuals by \$0.8 million, \$0.9 million, and \$0.4, respectively. Business license tax collected in fiscal year 2024 totaled \$7.2 million, as shown in Statistical Table 5. General property taxes came in at \$13.9 million, which was in line with the amended budget.
- Intergovernmental revenues were lower than the amended budget because of the timing of professional services related to the town's comprehensive plan, which has a reimbursable grant of \$0.7 million.
- Other revenues exceeded the amended budget by \$0.5 million because General Fund LGIP interest income earned was \$0.6 million higher than the amended budget due to interest rates staying higher for longer. Charges for services were \$0.6 million unfavorable to the budget because Parks and Recreation services revenue continued to underperform budget, and the Herndon Festival was cancelled. Permits, fines and forfeitures, and miscellaneous revenues were all favorable to the amended budget.
- Total expenditures excluding transfers and other financing uses came in under the amended budget by \$7.5 million. Non-departmental came in under budget by \$4.0 million primarily due to \$4.0 million budgeted for the downtown redevelopment project, but the actual expenditure did not occur in the fiscal year because the town and the developer agreed to extend the agreement to pause construction of the project and to finalize details in December 2024. Expenditure amounts for all the operating departments were less than the amended budgets, by \$3.5 million, which was mostly driven by lower operations and maintenances costs. Personnel costs, including employee benefits, were \$0.2 million over the amended budget, mostly due to being fully staffed throughout the fiscal year. Debt service expenditures were in line with the amended budget.
- Other financing sources and transfers were \$0.3 million favorable to the amended budget because insurance recoveries and the sale of surplus capital assets exceeded the amended budget.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

As of June 30, 2024, the town had invested approximately \$137.7 million, an increase of \$12.7 million from the prior fiscal year, in a variety of capital assets as reflected in the following table. More detailed information on capital assets can be found in Note 6 of the notes to the financial statements.

Table 5
Summary of Capital Assets
Comparison as of June 30 (thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 27,705	\$ 27,705	\$ 2,540	\$ 2,540	\$ 30,245	\$ 30,245
Construction in progress	22,087	30,949	1,009	1,940	23,096	32,889
Infrastructure	102,035	82,563	-	-	102,035	82,563
Buildings	43,203	42,224	3,886	3,856	47,089	46,080
Improvements other than buildings	17,560	17,215	37,947	36,115	55,507	53,330
Machinery and equipment	16,688	12,872	4,702	4,180	21,390	17,052
Machinery and equipment - Leases	128	127	25	25	153	152
Subscriptions	661	614	-	-	661	614
Intangibles and purchased capacity	1,134	1,134	15,370	15,370	16,504	16,504
Furniture and fixtures	1,124	1,124	-	-	1,124	1,124
Accumulated depreciation	(118,845)	(115,638)	(41,221)	(39,850)	(160,066)	(155,488)
Total capital assets, net	\$ 113,480	\$ 100,889	\$ 24,258	\$ 24,176	\$ 137,738	\$ 125,065

The net increase in the town's capital asset investment is attributable to the increase in new investments of \$17.2 million exceeding an additional accumulated depreciation of \$4.6 million. Significant changes include construction in progress decreasing by \$9.8 million, machinery and equipment increasing by \$4.3 million, and infrastructure increasing by \$19.5 million because eight infrastructure projects were completed.

Explanations for significant changes in total capital asset balances compared to the prior year are as follows:

- Construction in progress ended the fiscal year with a net decrease of \$9.8 million. Eight infrastructure projects completed by the end of the year account for most of the \$22.5 million decrease. Offsetting this decrease, was spending on new projects and projects in progress, which amounted to \$12.7 million. This new spending can be attributable mostly to the East Spring Street widening project at Herndon Parkway and nine ARPA projects at \$4.9 and \$5.3 million, respectively. The Pool Pak & Boiler replacement and Tennis Bubble replacement projects account for more than half of the \$5.3 million in ARPA spending. Construction on these projects continued into fiscal year 2025.
- The \$19.5 million increase in the infrastructure category consisted of eight projects being completed and placed in service. The larger projects included Van Buren Complete streets, Herndon Parkway and Van Buren Intersection, Vehicular and Pedestrian Access to Herndon Metrorail, Elden & Monroe Intersection, and Elden & Center Intersection.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS (continued)

- Most of the \$4.3 million increase in machinery and equipment is from the purchase of new heavy-duty and light-duty trucks using ARPA funds to update an aged public works vehicle fleet. The business-type funds updated their vehicles too with Water & Sewer Fund spending \$0.4 million and the Golf Fund spending \$0.4 million on new club cars.

Nineteen government-wide projects remained in progress totaling \$22.1 million. Of the eight projects in the Capital Projects Fund totaling \$14.7 million, the Downtown Parking Garage Spaces and East Spring Street Widening projects account for most of the spending at \$6.3 and \$6.7 million, respectively. The eleven projects in progress in the ARPA Fund account for \$7.4 million. Some ARPA Fund projects in progress include the Pool Pak & Boiler replacement, Tennis Bubble rehabilitation, and Water Utility Master Plan.

Eight business-type projects remain in progress at the end of the fiscal year, totaling almost \$1.0 million. In the Water and Sewer Fund, several water line and sewer line improvement projects were in progress totaling \$0.6 million. The Cemetery Fund expansion project was in progress with spending at \$0.3 million, and the Golf Fund tee box and stormwater drainage project remained in progress with minimal spending.

During the fiscal year, significant design and specifications, right-of-way acquisition, and utility relocation efforts progressed on other critical transportation projects with East Elden Street being the largest project. Also, significant non-transportation projects with design progress include HPD Parking Lot Expansion & Gates, Fuel Tank replacement, water and sewer line improvement projects, Cemetery Expansion, Golf Tee Box & Drainage improvements, and Sugarland Run North Stream restoration. More detailed information on future capital improvements can be found in the town's adopted six-year Capital Improvement Program (CIP).

LONG-TERM DEBT

The following table summarizes Long-Term Debt information (Note 8) in comparative format.

Table 6
Summary of General Obligation Bonds and Other Obligations
Comparison as of June 30 (thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation (GO) bonds	\$ 7,983	\$ 9,002	\$ 7,139	\$ 7,319	\$ 15,122	\$ 16,321
Fairfax Water obligations	-	-	1,802	1,966	1,802	1,966
GO bonds - premiums	115	122	-	-	115	122
Notes payable	-	-	240	300	240	300
Leases	23	53	7	13	30	66
Subscriptions	187	374	-	-	187	374
Total long-term outstanding debt	\$ 8,308	\$ 9,551	\$ 9,188	\$ 9,598	\$ 17,496	\$ 19,149

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG-TERM DEBT (continued)

At the end of fiscal year 2024, the town had \$17.5 million in outstanding long-term general obligations bonds, other obligations, and premiums, as reflected in the above table. This represents a decrease of \$1.6 million from the prior fiscal year, driven by debt service payments during the normal course of business.

The town's issuer rating from the three credit ratings agencies remained as follows: Aaa from Moody's Investor Service, Inc and AAA from Fitch Investor Service, and Standard and Poor's Corporation. These are the highest rating available from each of these firms. More detailed information on long-term debt can be found in Note 8 of the notes to the financial statements.

NEXT YEAR'S BUDGET AND RATES

The total adopted fiscal year 2025 budget (all funds), including inter-fund transfers, is \$74.6 million, which is about 19.9 percent higher than the original budget for fiscal year 2024. This \$12.4 million increase is the result of additions in the governmental funds of \$5.4 million and proprietary funds of \$7.0 million. The town's real estate tax rate remained the same at \$0.260 per \$100 of assessed value for fiscal year 2025. Further, all other excise taxes and fees town-wide remain unchanged from fiscal year 2024. Due to significantly increased operating costs in the Water & Sewer Fund, the Town Council adopted increases in the charges for services in the Water & Sewer Fund by increasing the utility billing rates in the fiscal year 2025 budget.

CURRENTLY KNOWN FACTS LIKELY TO IMPACT FINANCIAL CONDITION

Factors expected to affect the town's financial position include the downtown redevelopment project and American Rescue Plan Act funding the town received.

Following months of review and significant input from the public, in the Fall of 2017, the Herndon Town Council adopted a resolution to enter into a comprehensive agreement with Comstock Herndon Venture, LC for the redevelopment of 4.675 acres in Herndon's downtown. This mixed-use development project has experienced delays since the signing of the comprehensive agreement. The agreement was amended in 2020, and the town transferred the development site to Comstock, retaining interim use of the property. In April 2022 Comstock exercised its right in the amended comprehensive agreement to pause construction commencement for up to 24 months, due to market conditions or other matters, including delays because of the COVID-19 pandemic.

The town has an appropriation of \$3.6 million as part of the agreement for the project. In return, the town will be receiving public parking, an arts center shell, public improvements, temporary parking, arts walk, and environmental upgrades. The agreement also includes several incentives via the town's Arts District ordinance, including reduced property taxes and fees.

In September 2024, the Herndon Town Council approved a second extension of the outside satisfaction date to December 10th, 2024, by which the Town of Herndon and Comstock will finalize their amended and restated comprehensive agreement. If the amended and restated comprehensive agreement is approved, the project is expected to commence, including all required financing, by April 2025. More detailed information about the downtown redevelopment project can be found in the comprehensive agreement on the town's website.

TOWN OF HERNDON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENTLY KNOWN FACTS LIKELY TO IMPACT FINANCIAL CONDITION (continued)

The town received funding from the US Treasury as part of the American Rescue Plan Act. The town received two installments of \$12.7 million each, June 2021 and July 2022. Projects were approved that focused on operational maintenance backlog items and capital projects that were halted in fiscal year 2020 and fiscal year 2021 due to the COVID-19 pandemic. All project funds are expected to be fully obligated by the federal deadline of December 31, 2024, with spending to be completed by December 31, 2026. Spending for fiscal year 2024 totaled \$10.5 million.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the town's finances and to demonstrate the town's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, Town of Herndon, Department of Finance, 777 Lynn St., Herndon, VA 20170. The telephone number is (703) 435-6898 or visit the town's web site at www.herndon-va.gov.

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www.herndon-va.gov

BASIC FINANCIAL STATEMENTS

TOWN OF HERNDON, VIRGINIA

Exhibit A-1

STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents, and investments (Note 2)	\$ 52,945,477	\$ 20,512,950	\$ 73,458,427
Receivables, net:			
Property taxes (Note 3)	14,102,911	-	14,102,911
Trade and other accounts (Note 3)	1,404,287	2,274,857	3,679,144
Accrued interest	3,124	3,912	7,036
Due from other governments (Note 3)	4,565,210	-	4,565,210
Inventories	229,428	108,840	338,268
Prepaid costs	105,939	282	106,221
Cash, cash equivalents, and investments - restricted (Note 2)	2,055,317	-	2,055,317
Leases receivable (Note 4)	782,857	1,371,510	2,154,367
Capital assets: (Note 6)			
Nondepreciable	49,792,645	3,549,434	53,342,079
Depreciable, net	63,687,033	20,708,816	84,395,849
Total assets	<u>189,674,228</u>	<u>48,530,601</u>	<u>238,204,829</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 9)	2,030,479	225,140	2,255,619
Deferred outflows related to other postemployment benefits (Notes 11,12, and 13)	469,690	97,036	566,726
Total deferred outflows of resources	<u>2,500,169</u>	<u>322,176</u>	<u>2,822,345</u>
LIABILITIES			
Accounts payable	1,233,821	1,161,749	2,395,570
Accrued payroll	576,076	129,549	705,625
Accrued liabilities - other	1,055,633	95,940	1,151,573
Accrued interest	78,126	-	78,126
Unearned revenue (Note 7)	11,253,930	18,805	11,272,735
Due to other governments	2,125,000	-	2,125,000
Customer deposits	1,966,217	228,947	2,195,164
Noncurrent liabilities:			
Due within one year (Note 8)	1,503,811	574,057	2,077,868
Due in more than one year (Note 8)	9,647,176	8,973,156	18,620,332
Net pension liability (Note 9)	581,488	64,369	645,857
Net other postemployment benefit liability (Notes 11, 12, and 13)	3,954,785	521,702	4,476,487
Total liabilities	<u>33,976,063</u>	<u>11,768,274</u>	<u>45,744,337</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 9)	1,822,148	201,710	2,023,858
Deferred inflows related to other postemployment benefits (Notes 11, 12, and 13)	1,341,331	108,897	1,450,228
Lease-related deferred inflows	754,832	1,309,284	2,064,116
Property taxes (Note 7)	13,987,595	-	13,987,595
Total deferred inflows of resources	<u>17,905,906</u>	<u>1,619,891</u>	<u>19,525,797</u>
NET POSITION			
Net investment in capital assets	102,658,840	14,929,160	117,588,000
Restricted:			
Lateral program	-	91,566	91,566
Cemetery Perpetual Care Fund - expendable	2,055,317	-	2,055,317
Unrestricted	35,578,271	20,443,886	56,022,157
Total net position	<u>\$ 140,292,428</u>	<u>\$ 35,464,612</u>	<u>\$ 175,757,040</u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-2

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Legislative	\$ 674,807	\$ -	\$ -	\$ -	\$ (674,807)		\$ (674,807)
Administration	3,866,263	27,280	-	-	(3,838,983)		(3,838,983)
Town attorney	1,243,907	-	-	-	(1,243,907)		(1,243,907)
Parks and recreation	4,678,985	1,750,028	-	-	(2,928,957)		(2,928,957)
Finance	1,976,186	-	-	-	(1,976,186)		(1,976,186)
Community development	2,368,395	-	40,000	-	(2,328,395)		(2,328,395)
Police	12,788,646	407,157	672,074	-	(11,709,415)		(11,709,415)
Public works	15,663,061	1,230,640	1,419,895	17,625,379	4,612,853		4,612,853
Interest	204,229	-	-	-	(204,229)		(204,229)
Total governmental activities	43,464,479	3,415,105	2,131,969	17,625,379	(20,292,026)		(20,292,026)
Business-type activities:							
Water and sewer	8,652,814	9,057,751	-	1,237,668		\$ 1,642,605	1,642,605
Golf course	2,197,969	2,817,775	-	-		619,806	619,806
Chestnut Grove cemetery	714,784	1,164,493	-	167,517		617,226	617,226
Total business-type activities	11,565,567	13,040,019	-	1,405,185		2,879,637	2,879,637
Total government	\$ 55,030,046	\$ 16,455,124	\$ 2,131,969	\$ 19,030,564	(20,292,026)	2,879,637	(17,412,389)
General Revenues:							
Taxes:							
General property					13,914,320	-	13,914,320
Business licenses					7,146,880	-	7,146,880
Transient occupancy					2,053,220	-	2,053,220
Meals					4,401,059	-	4,401,059
Local sales					2,666,736	-	2,666,736
Consumer utility					806,484	-	806,484
Bank stock tax					598,961	-	598,961
Motor vehicle licenses					490,464	-	490,464
Other local taxes					456,583	-	456,583
Revenues not restricted to specific programs					75,114	-	75,114
Intergovernmental, non-categorical aid					1,182,849	-	1,182,849
Use of money and property					3,537,262	930,910	4,468,172
Gain on sale of capital assets					163,797	93,750	257,547
Miscellaneous income					387,272	168,959	556,231
Transfers					(40,903)	40,903	-
Total general revenues and transfers					37,840,098	1,234,522	39,074,620
Change in net position					17,548,072	4,114,159	21,662,231
Net position, July 1					122,744,356	31,350,453	154,094,809
Net position, June 30					<u>\$ 140,292,428</u>	<u>\$ 35,464,612</u>	<u>\$ 175,757,040</u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-3
Page 1BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 35,719,730	\$ 6,558,143	\$ 10,667,604	\$ -	\$ 52,945,477
Receivables (net of allowance for doubtful accounts):					
Property taxes	14,102,911	-	-	-	14,102,911
Trade and other accounts	1,404,287	-	-	-	1,404,287
Leases	782,857	-	-	-	782,857
Accrued interest	3,124	-	-	-	3,124
Due from other governments	676,701	3,888,509	-	-	4,565,210
Inventories	229,428	-	-	-	229,428
Prepaid costs	105,939	-	-	-	105,939
Cash, cash equivalents, and investments - restricted	-	-	-	2,055,317	2,055,317
Total assets	<u>\$ 53,024,977</u>	<u>\$ 10,446,652</u>	<u>\$ 10,667,604</u>	<u>\$ 2,055,317</u>	<u>\$ 76,194,550</u>

(Continued)

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-3
Page 2BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Fund	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 756,941	\$ 107,050	\$ 369,830	\$ -	\$ 1,233,821
Accrued payroll	576,076	-	-	-	576,076
Accrued liabilities - other	988,733	66,900	-	-	1,055,633
Accrued Interest - leases and subscription arrangements	4,686	-	-	-	4,686
Unearned revenue	289,802	2,391,448	8,572,680	-	11,253,930
Due to other governments	-	2,125,000	-	-	2,125,000
Customer deposits	1,966,217	-	-	-	1,966,217
Total liabilities	4,582,455	4,690,398	8,942,510	-	18,215,363
Deferred inflows of resources:					
Unavailable revenue - property taxes	14,188,325	-	-	-	14,188,325
Unavailable revenue - other	196,971	-	-	-	196,971
Leases related deferred inflows	754,832	-	-	-	754,832
Total deferred inflows of resources	15,140,128	-	-	-	15,140,128
Fund Balances:					
Nonspendable:					
Inventories	229,428	-	-	-	229,428
Prepaid costs	105,939	-	-	-	105,939
Restricted:					
Cemetery perpetual care	-	-	-	2,055,317	2,055,317
Stormwater	-	1,840,920	-	-	1,840,920
Assigned:					
Revenue stabilization	2,000,000	-	-	-	2,000,000
Operating & capital costs	835,144	164,459	-	-	999,603
Capital reserve	4,000,000	-	-	-	4,000,000
Contingency reserve	1,000,000	-	-	-	1,000,000
e-Summons	47,562	-	-	-	47,562
Downtown Parking	3,995,500	-	-	-	3,995,500
Subsequent years' expenditures for:					
General Fund	1,450,921	-	-	-	1,450,921
Capital Projects Fund	-	3,750,875	-	-	3,750,875
ARPA Fund	-	-	1,725,094	-	1,725,094
Unassigned:					
General Fund	19,637,900	-	-	-	19,637,900
Total fund balances	33,302,394	5,756,254	1,725,094	2,055,317	42,839,059
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 53,024,977</u>	<u>\$ 10,446,652</u>	<u>\$ 10,667,604</u>	<u>\$ 2,055,317</u>	<u>\$ 76,194,550</u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-4

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2024**

Total fund balances - governmental funds	\$	42,839,059
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Amounts reported for governmental activities
in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		113,479,678
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Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		397,701
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Financial statement elements related to other postemployment benefits and
pensions are applicable to future periods and, therefore, are not reported in the
funds.

Deferred outflows related to:

Pensions	\$ 2,030,479	
Other postemployment benefits	469,690	
		2,500,169

Deferred inflows related to:

Pensions	(1,822,148)	
Other postemployment benefits	(1,341,331)	
		(3,163,479)

Net pension liability		(581,488)
Net other post employment benefits liability		(3,954,785)

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, leases, and SBITAs payable, including unamortized premiums and discounts	(8,307,801)	
Compensated absences	(2,843,186)	
Interest payable	(73,440)	
		(11,224,427)

Net position of governmental activities	\$	140,292,428
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TOWN OF HERNDON, VIRGINIA

Exhibit A-5
Page 1STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:					
General property taxes	\$ 13,931,052	\$ -	\$ -	\$ -	\$ 13,931,052
Other local taxes	18,692,471	-	-	-	18,692,471
Permits, privilege fees, and regulatory licenses	791,911	-	-	-	791,911
Fines and forfeitures	430,153	-	-	-	430,153
Use of money and property	2,332,327	224,996	872,652	107,287	3,537,262
Charges for services	2,268,154	-	-	-	2,268,154
Miscellaneous	231,752	-	-	-	231,752
Intergovernmental	5,104,924	5,679,942	10,525,542	-	21,310,408
Total revenues	43,782,744	5,904,938	11,398,194	107,287	61,193,163
Expenditures:					
Current:					
Legislative	653,438	-	-	-	653,438
Administration	3,583,077	-	-	-	3,583,077
Town attorney	1,227,454	-	-	-	1,227,454
Parks and recreation	4,039,609	-	-	-	4,039,609
Finance	1,994,760	-	-	-	1,994,760
Community development	2,613,920	-	-	-	2,613,920
Police	12,345,300	-	-	-	12,345,300
Public works	12,884,499	-	-	-	12,884,499
Grants	41,746	-	-	-	41,746
Non-departmental	(8,515)	-	-	-	(8,515)
Capital outlay	-	6,999,224	10,525,542	-	17,524,766
Debt service:					
Principal	1,293,277	-	-	-	1,293,277
Interest and fiscal charges	221,686	-	-	-	221,686
Total expenditures	40,890,251	6,999,224	10,525,542	-	58,415,017
Excess (deficiency) of revenues over (under) expenditures	2,892,493	(1,094,286)	872,652	107,287	2,778,146

(Continued)

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-5
Page 2STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Fund	Total Governmental Funds
Other financing sources (uses):					
Proceeds from sale of capital assets	\$ 205,470	\$ -	\$ -	\$ -	\$ 205,470
Issuance of leases and subscription arrangements	57,238	-	-	-	57,238
Insurance recoveries	155,520	-	-	-	155,520
Transfers in	-	250,000	-	66,384	316,384
Transfers out	(250,000)	-	-	(107,287)	(357,287)
Total other financing sources (uses), net	168,228	250,000	-	(40,903)	377,325
Net change in fund balances	3,060,721	(844,286)	872,652	66,384	3,155,471
Fund balances, July 1	30,241,673	6,600,540	852,442	1,988,933	39,683,588
Fund balances, June 30	\$ 33,302,394	\$ 5,756,254	\$ 1,725,094	\$ 2,055,317	\$ 42,839,059

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

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, 2024**

Net change in fund balances - total governmental funds		\$ 3,155,471
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Expenditure for capital assets	\$ 16,551,980	
Less: depreciation and amortization expense	(3,919,264)	
Excess of capital outlay over depreciation and amortization		12,632,716
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position:		
Loss on disposal of capital assets		(41,672)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue		(459,030)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of leases and SBITAs		(57,238)
Principal repayments		1,293,277
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		1,540,669
Pension expense		(722,303)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions		251,383
Other postemployment benefit expense		90,466
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	9,798	
Compensated absences	(153,124)	
Amortization of premiums and discounts	7,659	(135,667)
Change in net position of governmental activities		\$ 17,548,072

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-7
Page 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 14,120,900	\$ 14,120,900	\$ 13,931,052	\$ (189,848)
Other local taxes	15,395,000	16,225,000	18,692,471	2,467,471
Permits, privilege fees, and regulatory licenses	653,300	653,300	791,911	138,611
Fines and forfeitures	290,500	290,500	430,153	139,653
Use of money and property	1,777,017	1,777,017	2,332,327	555,310
Charges for services	2,844,907	2,844,907	2,268,154	(576,753)
Miscellaneous	14,000	14,000	231,752	217,752
Intergovernmental	4,575,820	5,731,407	5,104,924	(626,483)
 Total revenues	 39,671,444	 41,657,031	 43,782,744	 2,125,713
Expenditures:				
Current:				
Legislative	901,525	971,220	653,438	317,782
Administration	3,803,118	3,778,129	3,583,077	195,052
Town attorney	862,569	1,017,019	1,227,454	(210,435)
Parks and recreation	4,702,930	4,683,568	4,039,609	643,959
Finance	1,831,170	1,980,456	1,994,760	(14,304)
Community development	2,715,978	3,821,377	2,613,920	1,207,457
Police	10,915,794	12,314,373	12,345,300	(30,927)
Public works	13,376,338	14,217,658	12,884,499	1,333,159
Grants	19,738	74,738	41,746	32,992
Non-departmental	117,017	4,021,216	(8,515)	4,029,731
Debt service:				
Principal	1,062,919	1,280,934	1,293,277	(12,343)
Interest and fiscal charges	214,515	219,428	221,686	(2,258)
 Total expenditures	 40,523,611	 48,380,116	 40,890,251	 7,489,865
 Excess (deficiency) of revenues over (under) expenditures	 (852,167)	 (6,723,085)	 2,892,493	 9,615,578

(Continued)

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-7
Page 2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ 50,000	\$ 50,000	\$ 205,470	\$ 155,470
Issuance of leases and subscription arrangements	-	-	57,238	57,238
Insurance recoveries	50,000	104,128	155,520	51,392
Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing sources (uses), net	(150,000)	(95,872)	168,228	264,100
Net change in fund balance	<u>\$ (1,002,167)</u>	<u>\$ (6,818,957)</u>	<u>\$ 3,060,721</u>	<u>\$ 9,879,678</u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-8

GOVERNMENTAL FUND TYPE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - AMERICAN RESCUE PLAN ACT FUND
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
Use of money and property	\$ -	\$ -	\$ 872,652	\$ 872,652
Intergovernmental	500,000	19,615,662	10,525,542	(9,090,120)
Total revenues	-	19,615,662	11,398,194	(8,217,468)
Capital Outlay:				
Administration - Information technology	500,000	545,350	378,231	167,119
Parks & recreation	-	5,224,934	3,688,137	1,536,797
Police	-	1,466,712	784,792	681,920
Public works	-	12,031,148	5,506,866	6,524,282
Cemetery	-	347,518	167,516	180,002
Total capital outlay	500,000	19,615,662	10,525,542	9,090,120
Total expenditures	500,000	19,615,662	10,525,542	9,090,120
Revenues over expenditures	-	-	872,652	872,652
Net change in fund balance	\$ -	\$ -	\$ 872,652	\$ 872,652

TOWN OF HERNDON, VIRGINIA

Exhibit A-9

Page 1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2024

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
ASSETS				
Current Assets:				
Cash, cash equivalents, and investments	\$ 13,813,966	\$ 3,338,638	\$ 3,360,346	\$ 20,512,950
Receivables (net of allowance for doubtful accounts):	2,274,857	-	-	2,274,857
Accrued interest	3,764	148	-	3,912
Inventories	61,224	47,616	-	108,840
Prepaid costs	185	97	-	282
Leases receivable - current portion	299,160	19,178	-	318,338
Total current assets	16,453,156	3,405,677	3,360,346	23,219,179
Noncurrent Assets:				
Leases receivable	1,053,172	-	-	1,053,172
Capital assets:				
Land	200,000	1,621,574	718,500	2,540,074
Buildings	-	2,544,906	1,340,694	3,885,600
Improvements other than buildings	33,133,154	3,157,597	1,656,239	37,946,990
Machinery and equipment	2,697,568	1,830,499	173,972	4,702,039
Machinery and equipment - leases	24,876	-	-	24,876
Intangibles	15,370,173	-	-	15,370,173
Construction in progress	618,911	175,790	214,659	1,009,360
Less: accumulated depreciation and amortization	(33,274,447)	(5,886,872)	(2,059,543)	(41,220,862)
Total capital assets (net of accumulated depreciation and amortization)	18,770,235	3,443,494	2,044,521	24,258,250
Total noncurrent assets	19,823,407	3,443,494	2,044,521	25,311,422
Total assets	36,276,563	6,849,171	5,404,867	48,530,601
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	127,605	66,404	31,131	225,140
OPEB-related deferred outflows	71,349	21,461	4,226	97,036
Total deferred outflows of resources	198,954	87,865	35,357	322,176

(Continued)

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-9

Page 2

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 1,143,384	\$ 8,566	\$ 9,799	\$ 1,161,749
Accrued payroll	61,362	50,162	18,025	129,549
Accrued liabilities - other	83,473	8,699	3,768	95,940
Due to other governments	161,677	-	-	161,677
Unearned revenue	-	18,805	-	18,805
Compensated absences	30,720	5,330	12,478	48,528
Customer deposits	228,397	550	-	228,947
Current obligations payable	144,359	125,641	93,852	363,852
Total current liabilities	1,853,372	217,753	137,922	2,209,047
Noncurrent Liabilities:				
Compensated absences	153,600	138,592	18,717	310,909
Due to other governments	1,640,038	-	-	1,640,038
Net pension liability	36,737	18,676	8,956	64,369
Net other post employment benefit liability	248,354	253,799	19,549	521,702
Long-term obligations payable, net	5,972,345	429,131	620,733	7,022,209
Total noncurrent liabilities	8,051,074	840,198	667,955	9,559,227
Total liabilities	9,904,446	1,057,951	805,877	11,768,274
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	115,120	58,524	28,066	201,710
OPEB-related deferred inflows	59,264	30,396	19,237	108,897
Leases related deferred inflows	1,293,938	15,346	-	1,309,284
Total deferred inflows of resources	1,468,322	104,266	47,303	1,619,891
NET POSITION				
Net Position:				
Net investment in capital assets	10,710,502	2,888,722	1,329,936	14,929,160
Restricted, lateral program	91,566	-	-	91,566
Unrestricted	14,300,681	2,886,097	3,257,108	20,443,886
Total net position	\$ 25,102,749	\$ 5,774,819	\$ 4,587,044	\$ 35,464,612

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 1

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2024**

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Operating revenues:				
Sale of water	\$ 3,358,546	\$ -	\$ -	\$ 3,358,546
Sewer service charges	5,202,386	-	-	5,202,386
Late payment charges	98,296	-	-	98,296
Sale of commodities	9,129	-	-	9,129
Rents and leases	389,394	43,456	-	432,850
Greens fees	-	2,136,567	-	2,136,567
Golf cart revenue	-	377,838	-	377,838
Golf pro shop sales	-	109,614	-	109,614
Driving range fees	-	163,065	-	163,065
Cemetery sites	-	-	663,835	663,835
Interment services	-	-	293,320	293,320
Merchandise sales	-	-	207,338	207,338
Miscellaneous	19,968	51,147	60,245	131,360
Total operating revenues	9,077,719	2,881,687	1,224,738	13,184,144
Operating expenses:				
Finance	333,522	-	-	333,522
Water services	2,473,651	-	-	2,473,651
Sewer services	3,442,549	-	-	3,442,549
Contractual services	631,639	49,331	26,691	707,661
Golf course operations	-	1,064,198	-	1,064,198
Golf course clubhouse	-	826,564	-	826,564
Cemetery operations	-	-	619,645	619,645
Nondepartmental:				
Depreciation and amortization	1,380,854	215,177	52,992	1,649,023
Miscellaneous	44,916	31,581	7,439	83,936
Total operating expenses	8,307,131	2,186,851	706,767	11,200,749
Operating income	770,588	694,836	517,971	1,983,395

(Continued)

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-10

Page 2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2024**

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Non-operating revenues (expenses):				
Investment earnings, net	\$ 638,527	\$ 149,575	\$ 142,808	\$ 930,910
Interest expense	(336,600)	(11,118)	(7,636)	(355,354)
Insurance recoveries	14,615	-	10,219	24,834
Gain (loss) on disposal of capital assets	(9,083)	93,750	(381)	84,286
Total non-operating revenues, net	307,459	232,207	145,010	684,676
Income before availability fees and transfers	1,078,047	927,043	662,981	2,668,071
Capital contributions	-	-	167,517	167,517
Availability fees	1,237,668	-	-	1,237,668
Transfers in	-	-	107,287	107,287
Transfers out	-	-	(66,384)	(66,384)
Total availability fees and transfers	1,237,668	-	208,420	1,446,088
Change in net position	2,315,715	927,043	871,401	4,114,159
Total net position, July 1	22,787,034	4,847,776	3,715,643	31,350,453
Total net position, June 30	<u><u>\$ 25,102,749</u></u>	<u><u>\$ 5,774,819</u></u>	<u><u>\$ 4,587,044</u></u>	<u><u>\$ 35,464,612</u></u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

Page 1

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2024**

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Operating Activities:				
Receipts from customers	\$ 8,896,111	\$ 2,887,491	\$ 1,224,737	\$ 13,008,339
Payments to suppliers for goods and services	(5,013,126)	(899,965)	(289,283)	(6,202,374)
Payments to employees for services	(1,820,929)	(1,119,735)	(437,606)	(3,378,270)
Net cash provided by operating activities	2,062,056	867,791	497,848	3,427,695
Noncapital Financing Activities:				
Transfers in from other funds	-	-	107,287	107,287
Transfers out to other funds	-	-	(66,384)	(66,384)
Net cash provided by noncapital financing activities	-	-	40,903	40,903
Capital and Related Financing Activities:				
Availability fees	1,237,668	-	-	1,237,668
Acquisition and construction of capital assets	(1,015,583)	(528,489)	-	(1,544,072)
Proceeds from the sale of capital assets	14,615	93,750	10,219	118,584
Principal paid on bonds and leases	(136,098)	(80,020)	(29,060)	(245,178)
Principal paid to Fairfax Water	(164,629)	-	-	(164,629)
Interest paid on bonds and leases	(339,010)	(11,253)	(4,847)	(355,110)
Net cash used in capital and related financing activities	(403,037)	(526,012)	(23,688)	(952,737)
Investing Activities:				
Interest received on investment securities	637,507	149,538	142,808	929,853
Net cash provided by investing activities	637,507	149,538	142,808	929,853
Net increase in cash, cash equivalents, and investments	2,296,526	491,317	657,871	3,445,714
Cash, Cash Equivalents, and Investments:				
Beginning	11,517,440	2,847,321	2,702,475	17,067,236
Ending	<u>\$ 13,813,966</u>	<u>\$ 3,338,638</u>	<u>\$ 3,360,346</u>	<u>\$ 20,512,950</u>

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

Page 2

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2024

	Business-type Activities - Enterprise Funds			
	Major Funds			Totals
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 770,588	\$ 694,836	\$ 517,971	\$ 1,983,395
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,380,854	215,177	52,992	1,649,023
Pension expense net of employer contributions	(28,189)	(30,124)	(17,388)	(75,701)
Other postemployment benefit expense net of employer contributions	(123)	(1,290)	(12,298)	(13,711)
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(234,985)	-	-	(234,985)
Lease receivables	(193,055)	30,621	-	(162,434)
Inventories	841	(4,957)	-	(4,116)
Prepaid costs and other assets	198	-	-	198
Increase (decrease) in:				
Accounts payable, accrued liabilities, and compensated absences	119,494	(11,655)	(43,429)	64,410
Unearned revenue	-	5,873	-	5,873
Leases related deferred inflows	181,100	(30,690)	-	150,410
Deposits	65,333	-	-	65,333
Net cash provided by operating activities	<u>\$ 2,062,056</u>	<u>\$ 867,791</u>	<u>\$ 497,848</u>	<u>\$ 3,427,695</u>

Schedule of Non-cash Capital and Related Financing Activities:

Capital assets acquired through accounts payable	<u>\$ 141,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,314</u>
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,517</u>	<u>\$ 167,517</u>

Exhibit A-12

Pension Trust Fund	
Police Supplemental Retirement Pension Trust Fund	
2024	2023

\$	11,625	\$	23,314
	4,050,912		3,509,656
	<u> </u>		<u> </u>

4,062,537	3,532,970
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\$	4,062,537	\$	3,532,970
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TOWN OF HERNDON, VIRGINIA

Exhibit A-13

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2024
(With Comparative Amounts for 2023)

	Pension Trust Fund Police Supplemental Retirement Pension Trust Fund	
	2024	2023
Additions:		
Employer contributions	\$ 218,058	\$ 181,658
Investment income:		
Net increase in the fair value of investments	556,832	394,800
Total additions, net	774,890	576,458
Deductions:		
Benefit payments	245,323	393,524
Change in net position	529,567	182,934
Net position, July 1	3,532,970	3,350,036
Net position, June 30	<u><u>\$ 4,062,537</u></u>	<u><u>\$ 3,532,970</u></u>

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

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

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements:

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Non-operating 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 non-operating expenses.

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

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements: Governmental funds are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The town considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes, which are recognized as revenue if they have been collected within the town's availability period, which is 60 days. 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 and subscriptions are reported as other financing sources.

The town reports the following major governmental funds:

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

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

The *ARPA Fund* accounts for the uses of American Rescue Plan Act funding received by the town and is reported as a special revenue fund.

The town reports the following major proprietary funds:

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

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

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

Additionally, the town reports the *Police Supplemental Retirement 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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

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

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

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. This resolution appropriates all budgeted amounts. The Appropriations Resolution places legal restrictions on expenditures for each department or category level.

Department heads and directors are authorized to transfer/reallocate/redistribute any amount, up to \$100,000, of the approved operations, maintenance and capital funding between approved expenditure accounts within their respective departments in the General Fund and Enterprise Funds only, except for salary and benefit accounts. Proposed transfers from salary or benefits accounts of any amount must be submitted to the town manager for review and approval. Requirements in excess of \$100,000 must be submitted to the town manager for review, and to Town Council for approval. The town manager is authorized to approve the transfer/reallocation/redistribution of General Fund, ARPA Fund, Water & Sewer Fund, Golf Course Fund, Chestnut Grove Cemetery Fund, and the Capital Projects Funds monies within a department or between departments in the same fund. Actions may be within or between the personnel, operations and maintenance and capital outlays/projects accounts. The total amount of each approval shall not exceed \$100,000 and multiple transfers to the same account cannot exceed a total of \$100,000. Requirements in excess of \$100,000 must be submitted by resolution to the Town Council for approval. The dollar limitation effectively lowers the legal level of budgetary control to the department level. 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, 2024, budget revisions to the general fund were made, which resulted in an approximate \$7,900,000 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.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

E. Deposits and Investments

Cash resources of the governmental and proprietary funds are combined to form a pool of deposits and investments to maximize interest earnings potential. The pool consists primarily of certificates of deposit, repurchase agreements, government securities, and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool is reported at the pool's share price in accordance with GASB Statement 79.

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.

F. Fair Value Measurements

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

G. Receivables and Payables

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

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

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

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

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

G. 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 2024 per \$100 of assessed value was \$.260. 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 reports real estate taxes (net of allowances) assessed for calendar year 2024 as receivables, net of payments received in advance of the due date, and deferred tax revenue because the town has an enforceable legal claim to these resources at June 30, 2024; however, these resources will not be available to the town until fiscal year 2025.

The town did not assess personal property taxes during fiscal year 2024.

The portion of taxes receivable that is not collected within 60 days after June 30 is shown as unavailable revenue.

H. Inventories

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

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

I. Prepaid Items

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

J. Restricted Cash

In accordance with the agreements resulting in the issuance of debt, certain funds may have a portion of their cash balance restricted and shown as "Cash with fiscal agent" or restricted cash on the Governmental Funds' Balance Sheet and the Statement of Net Position. This restriction on cash balances is due to the intended use, as prescribed in the applicable bond covenants. Amounts also consist of funds to be used for future capital projects and amounts accumulated for use in the Chestnut Grove Cemetery Perpetual Care Fund.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements, which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

- Contributions subsequent to the measurement date for pensions and OPEB; this will be applied to the net pension liability and net OPEB liability in the next fiscal year.
- One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Another item represents taxes billed and, in some cases, collected before the period they are eligible for use.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension and OPEB liability. These differences will be recognized in pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or inflow as appropriate.
- Changes in the proportionate share that will be recognized in the OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or inflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the town is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

L. Capital Assets

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

Capital assets and infrastructure are defined by the town as assets with an initial, individual cost of more than \$5,000 and \$20,000, respectively, and an estimated useful life in excess of two years. The town has included all infrastructure assets of the town, including assets acquired before June 30, 1980.

The town's intangible right-to-use 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.

Intangible right-to-use lease and subscription assets are amortized over the shorter of the lease or subscription term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised the asset is amortized over the useful life, unless the underlying asset is nondepreciable, in which the asset is not amortized.

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

Infrastructure	20-50 years
Buildings	10-50 years
Improvements other than buildings	5-50 years
Machinery and equipment	2-20 years
Furniture and fixtures	10-20 years
Intangibles and purchased capacity	5-40 years

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

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

M. Compensated Absences

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

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

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

N. Long-term Obligations

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

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

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balance

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

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

Town Council, as the highest level of authority within the town, establishes the commitment of fund balance to purposes through the approval of the annual budget plan by resolution, in conjunction with the resolutions associated with the establishment of fee and tax rates, and acceptance or appropriation of funds. All subsequent changes to the budget plan to add, reduce, or redirect resources to other purposes are also accomplished by Council resolution. As a result, all unrestricted amounts directed toward a purpose are shown as committed. Balances shown as assigned in the General Fund represent encumbrances, which would otherwise be unassigned.

The town considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available. When utilizing unrestricted balances, committed balances are applied first, followed by assigned then unassigned balances.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balance (Continued)

Town council established a Revenue Stabilization Fund in 2012 within the assigned portion of the General Fund Balance. At the close of each audited fiscal year, after certifying that the Unassigned Fund Balance is in compliance with these policies, the Revenue Stabilization Fund shall receive a minimum of 25 percent of the prior year's surplus, if any, as calculated in the prior fiscal year audit. Balances in the Revenue Stabilization Fund will be allowed to accumulate until they reach an amount equal to 5.0 percent of General Fund Operating Revenues. Transfers to the Revenue Stabilization Fund may also be made as part of the adopted operating budget.

Withdrawals from the Revenue Stabilization Fund can only be considered if there is an unexpected General Fund recurring revenue decline of at least three percent below the original budget projections for the current fiscal year.

No more than half of the Revenue Stabilization Fund can be withdrawn in any one fiscal year except in the event that using no more than half of the balance would result in Unassigned Fund Balance falling below the 20 percent threshold noted herein. In such an instance, the withdrawal shall be the lesser of the amount needed to maintain the 20 percent Unassigned Fund Balance policy level or the remaining balance in the Revenue Stabilization Fund.

P. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2024, include \$1,450,921 in the general fund and \$3,750,875 in the general capital project fund and \$1,725,094 in the ARPA fund.

Q. Pensions and Other Post-employment Benefits (OPEB)

For purposes of measuring all financial elements related to pensions and OPEB, information about the fiduciary net position of the town's Plans and the additions to or deductions from the town's Plans net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

R. Use of Estimates

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

Note 2. Deposits and Investments

The town maintains a cash and investment pool that is available for use by all funds. 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 General Fund and Capital Projects Fund have specific designated investments, as well as having equity in pooled cash and investments.

Deposits

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

Custodial Credit Risk

This is the risk that in the event of a bank failure, the town's deposits may not be returned to it. The town's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year-end, none of the town's deposits were exposed to custodial credit risk.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2. Deposits and Investments (Continued)

Investments

Investment Policy:

The State Treasurer's Local Government Investment Pool (LGIP) is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share and is reported based on guidance in GASB Statement 79.

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
Virginia State Non-Arbitrage Program	100% maximum

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2. Deposits and Investments (Continued)

Investment Policy: (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.

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.

As of June 30, 2024, the town's investments consisted of the following:

Type	Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 72,079,741	AAAm	0.24
Money Market	11,625	N/A	N/A
Mutual Funds	4,050,912	Various	N/A
Total investments	<u>\$ 76,142,278</u>		

* - Average Maturity in Years

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2024, the portion of the town's portfolio that exceed 5% of the total portfolio are as follows:

LGIP	100%
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TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2. Deposits and Investments (Continued)

Fair Value:

The town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The town has the following recurring fair value measurements as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds – Police Retirement Plan:				
DFA Emerging Markets Core Equity I	\$ 65,285	\$ -	\$ -	\$ 65,285
DFA International Core Equity I	125,815	-	-	125,815
DFA US Core Equity 2 I	235,515	-	-	235,515
Fidelity Advisor Total Bond Z	92,103	-	-	92,103
Fidelity Mid Cap	10,834	-	-	10,834
Fidelity Large Cap	353,921	-	-	353,921
Fidelity 500 Index	299,514	-	-	299,514
Fidelity US Bond Index	4,269	-	-	4,269
Great Gray CIT III Met Life 25554 CL J	45,550	-	-	45,550
Vanguard Target Retirement 2055 Inv	115,739	-	-	115,739
Vanguard Target Retirement 2050 Inv	169,292	-	-	169,292
Vanguard Target Retirement 2040 Inv	744,040	-	-	744,040
Vanguard REIT Index Adm	55,088	-	-	55,088
Vanguard Target Retirement 2065 Inv	16,934	-	-	16,934
Vanguard Target Retirement 2030 Inv	40,659	-	-	40,659
Vanguard Target Retirement Income Inv	2,711	-	-	2,711
Vanguard Target Retirement 2045 Inv	400,577	-	-	400,577
Vanguard Target Retirement 2035 Inv	756,871	-	-	756,871
Vanguard Target Retirement 2060 Inv	71,526	-	-	71,526
Vanguard Target Retirement 2025 Inv	435,136	-	-	435,136
Vanguard Target Retirement 2020	9,533	-	-	9,533
	<u><u>\$ 4,050,912</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,050,912</u></u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2. Deposits and Investments (Continued)

Fair Value: (Continued)

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

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

Deposits and investments:	
Deposits	\$ 3,434,003
Investments	72,079,741
Investments held in trust	4,062,537
	<u>\$ 79,576,281</u>
Statement of Net Position:	
Cash and investments	\$ 73,458,427
Cash and investments – restricted	2,055,317
Fiduciary fund cash and investments	4,062,537
	<u>\$ 79,576,281</u>

Cash with fiscal agent and other restricted cash and investments:

Restricted cash and investments consist of cash restricted for future capital projects and funds accumulated for use in the Chestnut Grove Cemetery Perpetual Care Fund.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 3. Receivables and Due from Other Governments,

Receivables are as follows:

	Governmental Activities	Business - Type Activities	Total
Receivables:			
Property tax	\$ 14,102,911	\$ -	\$ 14,102,911
Meal tax	641,789	-	641,789
Transient occupancy tax	200,382	-	200,382
Trade and other accounts	569,208	2,288,454	2,857,662
Gross receivables	15,514,290	2,288,454	17,802,744
Less: allowance for uncollectible	(7,092)	(13,597)	(20,689)
Receivables, net	<u>\$ 15,507,198</u>	<u>\$ 2,274,857</u>	<u>\$ 17,782,055</u>
Due from other governments:			
Commonwealth of Virginia	\$ 176,727	\$ -	\$ 176,727
Counties	4,388,483	-	4,388,483
Total due from other governments	<u>\$ 4,565,210</u>	<u>\$ -</u>	<u>\$ 4,565,210</u>

Note 4. Leases Receivable

The town is the lessor of three buildings in the general fund with lease terms that expire through 2027. The water and sewer and the golf course funds include leased equipment, water tower space, and land and buildings with varying lease terms that expire through 2033.

The lease receivables are due as follows:

	Governmental Activities		Business-type Activities	
Year Ending	Principal	Interest	Principal	Interest
2025	\$ 388,614	\$ 7,723	\$ 318,338	\$ 10,961
2026	345,258	2,440	288,958	7,890
2027	48,985	60	199,652	5,403
2028	-	-	151,257	3,542
2029	-	-	146,063	2,097
Thereafter	-	-	267,242	2,311
	<u>\$ 782,857</u>	<u>\$ 10,223</u>	<u>\$ 1,371,510</u>	<u>\$ 32,204</u>

Lease and interest revenue in the general fund was \$381,800 and \$13,667 respectively, and \$420,085 and \$15,828 in the business-type activities, respectively, for 2024.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 5. Interfund Receivables, Payables, and Transfers

A summary of interfund transfer activity is presented as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Chestnut Grove Cemetery Fund</u>	<u>Total Transferred In</u>
Transferred out:				
Primary government:				
Governmental activities:				
Capital projects	\$ 250,000	\$ -	\$ -	\$ 250,000
Other nonmajor governmental funds	-	-	66,384	66,384
Business-type activities:				
Chestnut Grove Cemetery Fund	-	107,287	-	107,287
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Transferred Out	<u>\$ 250,000</u>	<u>\$ 107,287</u>	<u>\$ 66,384</u>	<u>\$ 423,671</u>

The transfer from the General Fund is for capital project expenditures.

The transfers from the Other nonmajor governmental funds are for capital project expenditures.

The transfer from the Chestnut Grove Cemetery Fund to Other nonmajor governmental funds is for cemetery site sales.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 6. Capital Assets

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

Governmental Activities:	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital asset, not depreciated:				
Land	\$ 23,826,753	\$ -	\$ -	\$ 23,826,753
Easements	3,878,207	-	-	3,878,207
Construction in progress	30,948,970	11,926,559	(20,787,844)	22,087,685
Total capital assets not depreciated	58,653,930	11,926,559	(20,787,844)	49,792,645
Capital assets, depreciated and amortized:				
Infrastructure	82,562,809	19,472,156	-	102,034,965
Buildings	42,223,927	979,481	-	43,203,408
Improvements other than buildings	17,215,090	344,638	-	17,559,728
Machinery and equipment	12,872,143	4,560,568	(744,923)	16,687,788
Machinery and equipment – Right-to-use leases	127,414	9,725	(8,909)	128,230
Right-to-use subscriptions	614,149	46,697	-	660,846
Intangibles	1,134,138	-	-	1,134,138
Furniture and fixtures	1,123,443	-	-	1,123,443
Total capital assets	157,873,113	25,413,265	(753,832)	182,532,546
Less: accumulated depreciation and amortization:				
Infrastructure	(70,196,487)	(1,223,646)	-	(71,420,133)
Buildings	(24,501,637)	(1,318,215)	-	(25,819,852)
Improvements other than buildings	(11,456,731)	(256,687)	-	(11,713,418)
Machinery and equipment	(7,465,898)	(818,125)	703,251	(7,580,772)
Machinery and equipment – Right-to-use leases	(74,330)	(38,851)	8,909	(104,272)
Right-to-use subscriptions	(201,988)	(217,518)	-	(419,506)
Intangibles	(1,134,166)	(18)	-	(1,134,184)
Furniture and fixtures	(607,172)	(46,204)	-	(653,376)
Total accumulated depreciation and amortization	(115,638,409)	(3,919,264)	712,160	(118,845,513)
Total capital assets, depreciated and amortized, net	42,234,704	21,494,001	(41,672)	63,687,033
Governmental activities capital assets, net	<u>\$ 100,888,634</u>	<u>\$ 33,420,560</u>	<u>\$ (20,829,516)</u>	<u>\$ 113,479,678</u>

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 6. Capital Assets (Continued)

Business-type Activities:	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital asset, not depreciated:				
Land	\$ 2,540,074	\$ -	\$ -	\$ 2,540,074
Construction in progress	<u>1,939,813</u>	<u>901,905</u>	<u>(1,832,358)</u>	<u>1,009,360</u>
Total capital assets not depreciated	<u>4,479,887</u>	<u>901,905</u>	<u>(1,832,358)</u>	<u>3,549,434</u>
Capital assets, depreciated and amortized:				
Buildings	3,856,343	29,257	-	3,885,600
Improvements other than buildings	36,114,632	1,832,358	-	37,946,990
Machinery and equipment	4,180,677	809,396	(288,034)	4,702,039
Machinery and equipment – Right-to-use leases	24,876	-	-	24,876
Intangibles and purchased capacity	<u>15,370,173</u>	<u>-</u>	<u>-</u>	<u>15,370,173</u>
Total capital assets	<u>59,546,701</u>	<u>2,671,011</u>	<u>(288,034)</u>	<u>61,929,678</u>
Less: accumulated depreciation and amortization:				
Buildings	(2,412,649)	(99,913)	-	(2,512,562)
Improvements other than buildings	(27,791,448)	(1,115,177)	-	(28,906,625)
Machinery and equipment	(2,467,082)	(221,434)	278,568	(2,409,948)
Machinery and equipment – Right-to-use leases	(12,040)	(6,021)	-	(18,061)
Intangibles and purchased capacity	<u>(7,167,188)</u>	<u>(206,478)</u>	<u>-</u>	<u>(7,373,666)</u>
Total accumulated depreciation and amortization	<u>(39,850,407)</u>	<u>(1,649,023)</u>	<u>278,568</u>	<u>(41,220,862)</u>
Total capital assets, depreciated and amortized, net	<u>19,696,294</u>	<u>1,021,988</u>	<u>(9,466)</u>	<u>20,708,816</u>
Business-type activities capital assets, net	<u>\$ 24,176,181</u>	<u>\$ 1,923,893</u>	<u>\$(1,841,824)</u>	<u>\$ 24,258,250</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 6. Capital Assets (Continued)

Primary Government

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

Governmental activities:

Legislative	\$ 38,772
Administration	130,428
Parks and Recreation	553,069
Finance	50,499
Community Development	41,445
Police	588,469
Public Works	2,187,857
Town Attorney	72,356
Non-Departmental	256,369
	\$ <u>3,919,264</u>

Business-type activities:

Water and Sewer	\$ 1,380,854
Golf Course	215,177
Chestnut Grove Cemetery	52,992
	\$ <u>1,649,023</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 7. Unavailable and Unearned Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property tax receivable	\$ 200,730	\$ -
Advance billing of 2023-2024 taxes	13,987,595	13,987,595
Intergovernmental	-	289,802
ARPA funding	-	8,572,680
Unavailable - other	196,971	2,391,448
	<u><u>\$ 14,385,296</u></u>	<u><u>\$ 25,241,525</u></u>

The golf fund showed \$18,805 of unearned revenue from the annual passes sold by year end.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 8. Long-Term Debt

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 9,002,562	\$ -	\$ (1,019,919)	\$ 7,982,643	\$ 926,507
Plus deferred amount for bond premiums	122,550	-	(7,659)	114,891	-
Leases	52,708	10,541	(39,879)	23,370	7,606
Subscriptions	373,679	46,697	(233,479)	186,897	125,717
	<u>9,551,499</u>	<u>57,238</u>	<u>(1,300,936)</u>	<u>8,307,801</u>	<u>1,059,830</u>
Compensated absences	2,690,062	153,124	-	2,843,186	443,981
	<u>\$ 12,241,561</u>	<u>\$ 210,362</u>	<u>\$ (1,300,936)</u>	<u>\$ 11,150,987</u>	<u>\$ 1,503,811</u>
Business-type Activities:					
General obligation bonds	\$ 7,318,437	\$ -	\$ (179,080)	\$ 7,139,357	\$ 299,344
Financed Purchase	300,000	-	(60,000)	240,000	60,000
Fairfax Water	1,966,344	-	(164,629)	1,801,715	161,677
Leases	12,802	-	(6,098)	6,704	4,508
	<u>9,597,583</u>	<u>-</u>	<u>(409,807)</u>	<u>9,187,776</u>	<u>525,529</u>
Compensated absences	322,541	36,896	-	359,437	48,528
	<u>\$ 9,920,124</u>	<u>\$ 36,896</u>	<u>\$ (409,807)</u>	<u>\$ 9,547,213</u>	<u>\$ 574,057</u>

For the governmental activities, compensated absences, pension liabilities, and OPEB liabilities are generally liquidated by the general fund. Changes in compensated absences in the above tables represent net changes.

The town is subject to a legal debt margin based on the Constitution of Virginia. Based upon the Fairfax County valuation, the direct debt limit is \$538,494,221. With total exempt debt of \$8,307,801 the town has a legal debt margin of \$530,186,420.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

Annual requirements to amortize long-term debt, the related interest and other obligations are as follows:

Fiscal Year	Governmental Activities					
	General Obligations		Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 926,507	\$ 195,840	\$ 7,606	\$ 428	\$ 125,717	\$ 2,086
2026	917,785	178,461	4,888	316	46,793	1,284
2027	873,809	160,614	4,668	204	14,387	362
2028	852,211	143,025	4,079	92	-	-
2029	867,481	125,265	2,129	20	-	-
2030-2034	1,984,850	395,573	-	-	-	-
2035-2039	1,560,000	154,231	-	-	-	-
	<u>\$ 7,982,643</u>	<u>\$ 1,353,009</u>	<u>\$ 23,370</u>	<u>\$ 1,060</u>	<u>\$ 186,897</u>	<u>\$ 3,732</u>

Fiscal Year	Business-Type Activities Total					
	General Obligations and Fairfax Water		Lease Liabilities		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 461,021	\$ 334,033	\$ 4,508	\$ 48	\$ 60,000	\$ 6,573
2026	504,575	315,626	2,196	8	60,000	4,695
2027	506,815	296,158	-	-	60,000	2,817
2028	519,294	275,959	-	-	60,000	939
2029	543,560	254,692	-	-	-	-
2030-2034	1,492,327	1,035,712	-	-	-	-
2035-2039	1,603,606	753,829	-	-	-	-
2040-2044	1,384,725	475,124	-	-	-	-
2045-2049	1,575,149	230,125	-	-	-	-
2050	350,000	12,250	-	-	-	-
	<u>\$ 8,941,072</u>	<u>\$ 3,983,508</u>	<u>\$ 6,704</u>	<u>\$ 56</u>	<u>\$ 240,000</u>	<u>\$ 15,024</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

Details of Long-term Indebtedness

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
General Obligation Public Improvement Bonds	2.00-5.00	2018	2050	\$ 11,135,000	\$ 3,970,000	\$ 6,110,000
General Obligation Public Refunding Bonds	1.04	2020	2033	5,229,000	3,655,046	971,954
General Obligation Public Refunding Bonds	1.16	2020	2026	1,111,000	357,597	57,403
Fairfax Water 1994 Agreement	0.00	1994	2029	2,085,419	-	634,240
Fairfax Water 1999 Agreement	0.00	1999	2039	2,452,622	-	1,167,475
Financed Purchase	3.13	2023	2027	300,000	-	240,000
					<u>\$ 7,982,643</u>	<u>\$ 9,181,072</u>
Leases for equipment	Various	2020	2029	157,058	\$ 23,370	\$ 6,704
Subscriptions	Various	2022	2027	540,548	186,897	-
					<u>\$ 210,267</u>	<u>\$ 6,704</u>

The town has leases for various equipment such as copiers and postage machines for periods expiring between years ended 2025 and 2029. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 6. The related debt, as well as principal and interest requirements to maturity are disclosed in the note above.

The town has SBITAs for various software platforms for periods expiring between years ended 2025 and 2027. The value of the right-to-use subscription asset and related accumulated amortization as of year-end are disclosed in Note 6. The related debt, as well as principal and interest requirements to maturity are disclosed in the note above.

The town uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Herndon, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>175</u>
Inactive members:	
Vested inactive members	69
Non-vested inactive members	94
Active members active elsewhere in VRS	<u>46</u>
Total inactive members	209
Active members	<u>234</u>
Total covered employees	<u>618</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Political Subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2024, was 8.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were \$1,711,588 and \$1,583,248 for the years ended June 30, 2024, and June 30, 2023, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees with Hazardous Duty benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 45% to 70% of deaths are assumed to be service-related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service; no change to disability rates, no change to salary scale, no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better-fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	6.14 %	2.09 %
Fixed-Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS – Multi-Asset Public Strategies	4.00	4.50	0.18
PIP – Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00 %		5.75 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		8.25 %

*The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, Political Subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$ 99,945,404	\$ 99,385,739	\$ 559,665
Service cost	1,955,303	-	1,955,303
Interest	6,710,646	-	6,710,646
Changes of assumptions	-	-	-
Differences between expected and actual experience	206,258	-	206,258
Contributions – employer	-	1,583,248	(1,583,248)
Contributions – employee	-	911,680	(911,680)
Net investment income (loss)	-	6,352,548	(6,352,548)
Benefit payments, including refunds of employee contributions	(4,967,451)	(4,967,451)	-
Administrative expenses	-	(64,015)	64,015
Other changes	-	2,554	(2,554)
Net changes	3,904,756	3,818,564	86,192
Balances at June 30, 2023	\$ 103,850,160	\$ 103,204,303	\$ 645,857

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability (asset) of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate</u>	<u>1.00% Increase (7.75%)</u>
Political Subdivision's net pension liability (asset)	\$ 14,085,169	\$ 645,857	\$ (10,632,436)

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

For the year ended June 30, 2024, the Political Subdivision recognized pension expense of \$831,936. At June 30, 2024, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 137,275	\$ 426,712
Changes of assumptions	406,756	-
Net difference between projected and actual earnings on pension plan investments	-	1,597,146
Employer contributions subsequent to the measurement date	<u>1,711,588</u>	<u>-</u>
Total	<u>\$ 2,255,619</u>	<u>\$ 2,023,858</u>

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 9. Defined Benefit Pension Plan (Continued)

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

The \$1,711,588 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (1,052,835)
2026	(1,911,026)
2027	1,429,939
2028	54,095
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS annual report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2024, \$224,833 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 10. Defined Contribution Plan – Police Retirement

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 four percent of the officer's wages; the officers make no contribution. The Plan was established by Town Council and any amendments to the plan must be approved by the Council. The Plan does not issue a stand-alone financial report.

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

There were 120 participants in the Plan at June 30, 2024. 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 \$271,825 for the fiscal year ended June 30, 2024. Data concerning the value of vested and non-vested benefits as of June 30, 2024, is as follows:

Vested benefits	\$ 3,763,052
Non-vested benefits	<u>287,860</u>
	\$ <u>4,050,912</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

Significant Accounting Policies

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

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 10. Defined Contribution Plan – Police Retirement (Continued)

Significant Accounting Policies (Continued)

Reporting: The Plan is accounted for as a 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, 2024, Plan assets were comprised of mutual funds investing in stocks, bonds, guaranteed investment contracts, and U.S. government securities. Single investments representing more than 5% of the Plan's net assets as of June 30, 2024, are separately identified in the fair value measurements table in Note 2.

Note 11. Other Post-Employment Benefits – Local Plan

Plan Description

OPEB provided by the town include a single-employer, defined benefit retiree health insurance premium plan. No assets are accumulated in a trust to pay benefits to the plan.

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

Benefits Provided

Benefits include medical, dental, and vision insurance. Participating retirees pay monthly premiums to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 11. Other Post-Employment Benefits Liability– Local Plan (Continued)

Employees Covered by Benefit Terms

As of the July 1, 2022, actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	59
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	59
Active plan members	<u>228</u>
	<u>287</u>

Total OPEB Liability

The town's total OPEB liability of \$3,468,344 was measured as of July 1, 2023, and was determined based on an actuarial valuation performed as of July 1, 2022.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.86%
Salary increases, including inflation	2.5%, plus productivity component of 1.25%
Healthcare cost trend rates	4.57% for fiscal year end 2023 (to reflect actual experience), then 6.75% for fiscal year end 2024, decreasing 0.25% per year to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Same as Health Care Trend

Mortality rates: RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2021, through June 30, 2022.

Changes in the Total OPEB Liability

Balance at June 30, 2023	<u>\$ 3,357,910</u>
Changes for the year:	
Service cost	207,900
Interest	128,372
Assumption or other input changes	(50,473)
Benefit payments	<u>(175,365)</u>
Net changes	<u>110,434</u>
Balance at June 30, 2024	<u><u>\$ 3,468,344</u></u>

Benefit payments above represent amounts paid by the town sufficient to satisfy benefit payment requirements to participants.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current discount rate:

	1.00% Decrease (2.86%)	Current Discount Rate (3.86%)	1.00% Increase (4.86%)
Total OPEB liability	\$ 3,778,694	\$ 3,468,344	\$ 3,189,329

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.57%) or one percentage point higher (5.57%) than the current healthcare cost trend rates:

	1.00% Decrease (3.57%)	Current Healthcare Cost Trend Rates (4.57%)	1.00% Increase (5.57%)
Total OPEB liability	\$ 3,121,251	\$ 3,468,344	\$ 3,875,673

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

OPEB Benefit and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the town recognized OPEB benefit of \$66,222. At June 30, 2024, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,709	\$ 792,010
Change in assumptions	226,259	473,383
Employer contributions subsequent to measurement date	54,259	-
Total	<u>\$ 324,227</u>	<u>\$ 1,265,393</u>

The \$54,259 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Reduction to OPEB Expense
2025	\$ (456,287)
2026	(294,477)
2027	(235,816)
2028	(8,845)
2029	-
Thereafter	-

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the VRS, the town also participates in a cost-sharing multiple employer other postemployment benefit plan, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves, as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered multiple-employer, cost-sharing plan.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution	\$118,694
June 30, 2023 Contribution	\$106,927

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session. Our proportionate share is \$8,529.

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources
Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2023, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources
Related to OPEB (Continued)**

Group Life Insurance Program

June 30, 2024 proportionate share of liability	\$1,008,143
June 30, 2023 proportion	0.08406%
June 30, 2022 proportion	0.08474%
June 30, 2024 expense	\$31,076

At June 30, 2024, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,689	\$ 30,602
Changes of assumptions	21,549	69,848
Net difference between projected and actual earnings on OPEB plan investments	-	40,513
Changes in proportion	1,567	43,872
Employer contributions subsequent to the measurement date	118,694	-
Total	<u>\$ 242,499</u>	<u>\$ 184,835</u>

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources
Related to OPEB (Continued)**

Group Life Insurance Program (Continued)

The \$118,694 reported as deferred outflows of resources related to OPEB resulting from the town's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ending June 30,	Increase (Reduction) OPEB Expense
2025	\$ (19,923)
2026	(53,620)
2027	6,954
2028	(2,976)
2029	8,535
Thereafter	-

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources
Related to OPEB (Continued)**

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

Actuarial Assumptions and Other Inputs (Continued)

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,907,052
Plan fiduciary net position	\$ 2,707,739
Employers' net OPEB liability (asset)	\$ 1,199,313
Plan fiduciary net position as a percentage of total OPEB liability	69.30%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

Long-Term Expected Rate of Return

Group Life Insurance

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS – Multi-Asset Public Strategies	4.00	4.50	0.18
PIP – Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00 %		5.75 %
			Inflation
			*Expected arithmetic nominal return
			2.50 %
			8.25 %

- * The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14, including inflation of 2.50%.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans
(Continued)**

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the town, as well as what the town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% GLI) or one percentage point higher (7.75% GLI) than the current discount rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
GLI Net OPEB liability	\$ 1,494,383	\$ 1,008,143	\$ 615,015

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 12. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. Summary of Other Post Employment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - OPEB			
Local plan	\$ 251,383	\$ 72,844	\$ 324,227
VRS GLI	218,307	24,192	242,499
Total deferred outflows of resources - OPEB	<u>\$ 469,690</u>	<u>\$ 97,036</u>	<u>\$ 566,726</u>
Net OPEB liability			
Local plan	\$ 3,047,120	\$ 421,224	\$ 3,468,344
VRS GLI	907,665	100,478	1,008,143
Total net OPEB liability	<u>\$ 3,954,785</u>	<u>\$ 521,702</u>	<u>\$ 4,476,487</u>
Deferred inflows of resources - OPEB			
Local plan	\$ 1,174,918	\$ 90,475	\$ 1,265,393
VRS GLI	166,413	18,422	184,835
Total deferred inflows of resources - OPEB	<u>\$ 1,341,331</u>	<u>\$ 108,897</u>	<u>\$ 1,450,228</u>
OPEB expense (benefit)			
Local plan	\$ (64,789)	\$ (1,433)	\$ (66,222)
VRS GLI	27,978	3,098	31,076
Total OPEB expense (benefit)	<u>\$ (36,811)</u>	<u>\$ 1,665</u>	<u>\$ (35,146)</u>

TOWN OF HERNDON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 14. 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 Risk Sharing Association program (the "Pool") for all insurable risks identified by the town. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The town pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

Note 15. Commitments and Contingencies

Federal and State-Assisted Programs

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

Litigation

The town is contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of operations. It is the opinion of town management that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material to the financial position of the town.

(Continued)

TOWN OF HERNDON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 16. New Accounting Standards

In June 2022, the GASB issued **Statement No. 101**, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued **Statement No. 102**, Certain Risk Disclosures. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
 Year Ended June 30, 2024

	2023	2022	2021	Plan Year 2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 207,900	\$ 315,158	\$ 255,058	\$ 235,451	\$ 205,822	\$ 132,301	\$ 127,335
Interest on total OPEB liability	128,372	98,923	107,304	161,075	172,343	120,406	116,391
Difference between actual and expected experience	-	(1,010,712)	112,727	(1,201,366)	(73,408)	1,209,950	-
Changes of assumptions	(50,473)	(769,221)	456,570	238,046	201,946	(70,475)	-
Benefit payments	(175,365)	(225,528)	(212,840)	(225,137)	(77,967)	(95,969)	(175,191)
Net change in total OPEB liability	110,434	(1,591,380)	718,819	(791,931)	428,736	1,296,213	68,535
Total OPEB liability (beginning)	<u>3,357,910</u>	<u>4,949,290</u>	<u>4,230,471</u>	<u>5,022,402</u>	<u>4,593,666</u>	<u>3,297,453</u>	<u>3,228,918</u>
Total OPEB liability (ending)	<u>\$ 3,468,344</u>	<u>\$ 3,357,910</u>	<u>\$ 4,949,290</u>	<u>\$ 4,230,471</u>	<u>\$ 5,022,402</u>	<u>\$ 4,593,666</u>	<u>\$ 3,297,453</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered employee payroll	<u>\$ 18,769,623</u>	<u>\$ 18,769,623</u>	<u>\$ 16,823,189</u>	<u>\$ 16,823,189</u>	<u>\$ 17,382,513</u>	<u>\$ 17,382,513</u>	<u>\$ 10,855,369</u>
Net OPEB liability as a percentage of of covered employee payroll	<u>18.48%</u>	<u>17.89%</u>	<u>29.42%</u>	<u>25.15%</u>	<u>28.89%</u>	<u>26.43%</u>	<u>30.38%</u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

TOWN OF HERNDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2024

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Group Term Life Insurance					
2024	\$ 118,694	\$ 118,694	\$ -	\$ 21,900,793	0.54%
2023	106,927	106,927	-	19,801,684	0.54%
2022	99,538	99,538	-	18,433,108	0.54%
2021	96,206	96,206	-	17,816,619	0.54%
2020	94,122	94,122	-	18,385,923	0.51%
2019	91,104	91,104	-	17,518,246	0.52%
2018	87,898	87,898	-	16,718,150	0.53%

This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

TOWN OF HERNDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2024

Plan Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
VRS Group Term Life Insurance					
2023	0.08%	\$ 1,008,143	\$ 19,801,684	5.09%	69.30%
2022	0.08%	1,020,351	18,433,108	5.54%	67.21%
2021	0.09%	1,004,766	17,816,619	5.64%	67.45%
2020	0.09%	1,468,409	18,385,923	7.99%	52.64%
2019	0.09%	1,454,124	17,518,246	8.30%	52.00%
2018	0.09%	1,350,000	16,718,150	8.08%	51.22%
2017	0.09%	1,362,000	16,663,134	8.17%	48.86%

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year, the covered payroll on which required contributions were based for the same year.

TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 Year Ended June 30, 2024

	2023	2022	2021	2020	Plan Year		2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 1,955,303	\$ 1,811,464	\$ 1,929,833	\$ 1,915,044	\$ 1,796,601	\$ 1,723,180	\$ 1,780,019	\$ 1,775,184	\$ 1,780,620	\$ 1,821,327
Interest on total pension liability	6,710,646	6,526,562	6,017,056	5,681,425	5,501,837	5,263,541	5,143,537	4,887,085	4,664,075	4,385,197
Benefit payments, including refunds of employee contributions	(4,967,451)	(4,938,600)	(4,199,471)	(3,945,737)	(3,592,462)	(2,978,005)	(2,984,230)	(2,474,947)	(2,406,002)	(2,039,114)
Difference between actual and expected experience	206,258	(801,670)	(1,098,497)	1,448,447	(482,342)	(297,252)	(1,706,344)	(269,073)	(818,369)	-
Changes of assumptions	-	-	3,457,423	-	2,524,588	-	(521,761)	-	-	-
Net change in total pension liability	3,904,756	2,597,756	6,106,344	5,099,179	5,748,222	3,711,464	1,711,221	3,918,249	3,220,324	4,167,410
Total pension liability (beginning)	<u>99,945,404</u>	<u>97,347,648</u>	<u>91,241,304</u>	<u>86,142,125</u>	<u>80,393,903</u>	<u>76,682,439</u>	<u>74,971,218</u>	<u>71,052,969</u>	<u>67,832,645</u>	<u>63,665,235</u>
Total pension liability (ending)	<u>\$ 103,850,160</u>	<u>\$ 99,945,404</u>	<u>\$ 97,347,648</u>	<u>\$ 91,241,304</u>	<u>\$ 86,142,125</u>	<u>\$ 80,393,903</u>	<u>\$ 76,682,439</u>	<u>\$ 74,971,218</u>	<u>\$ 71,052,969</u>	<u>\$ 67,832,645</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 1,583,248	\$ 1,405,099	\$ 1,376,014	\$ 1,126,210	\$ 1,062,239	\$ 1,239,811	\$ 1,256,634	\$ 1,548,518	\$ 1,562,827	\$ 1,603,624
Contributions - employee	911,680	871,165	937,873	859,817	842,610	813,625	876,797	800,721	807,614	832,188
Net investment income (loss)	6,352,548	(73,782)	22,278,449	1,554,123	5,217,554	5,485,075	8,184,878	1,164,925	2,907,557	8,612,262
Benefit payments, including refunds of employee contributions	(4,967,451)	(4,938,600)	(4,199,471)	(3,945,737)	(3,592,462)	(2,978,005)	(2,984,230)	(2,474,947)	(2,406,002)	(2,039,114)
Administrative expenses	(64,015)	(64,104)	(55,765)	(53,891)	(52,294)	(47,214)	(47,240)	(40,637)	(39,225)	(45,658)
Other	2,554	2,335	2,097	(1,845)	(3,286)	(4,893)	(7,263)	(490)	(616)	454
Net change in plan fiduciary net position	3,818,564	(2,797,887)	20,339,197	(461,323)	3,474,361	4,508,399	7,279,576	998,090	2,832,155	8,963,756
Plan fiduciary net position - beginning	<u>99,385,739</u>	<u>102,183,626</u>	<u>81,844,429</u>	<u>82,305,752</u>	<u>78,831,391</u>	<u>74,322,992</u>	<u>67,043,416</u>	<u>66,045,326</u>	<u>63,213,171</u>	<u>54,249,415</u>
Plan fiduciary net position - ending	<u>\$ 103,204,303</u>	<u>\$ 99,385,739</u>	<u>\$ 102,183,626</u>	<u>\$ 81,844,429</u>	<u>\$ 82,305,752</u>	<u>\$ 78,831,391</u>	<u>\$ 74,322,992</u>	<u>\$ 67,043,416</u>	<u>\$ 66,045,326</u>	<u>\$ 63,213,171</u>
Net pension liability (asset) - ending	<u>\$ 645,857</u>	<u>\$ 559,665</u>	<u>\$ (4,835,978)</u>	<u>\$ 9,396,875</u>	<u>\$ 3,836,373</u>	<u>\$ 1,562,512</u>	<u>\$ 2,359,447</u>	<u>\$ 7,927,802</u>	<u>\$ 5,007,643</u>	<u>\$ 4,619,474</u>
Plan fiduciary net position as a percentage of total pension liability	<u>99.38%</u>	<u>99.44%</u>	<u>104.97%</u>	<u>89.70%</u>	<u>95.55%</u>	<u>98.06%</u>	<u>96.92%</u>	<u>89.43%</u>	<u>92.95%</u>	<u>93.19%</u>
Covered payroll	<u>\$ 19,801,684</u>	<u>\$ 18,433,108</u>	<u>\$ 17,816,619</u>	<u>\$ 18,385,923</u>	<u>\$ 17,501,069</u>	<u>\$ 16,835,121</u>	<u>\$ 16,663,134</u>	<u>\$ 16,563,441</u>	<u>\$ 15,901,012</u>	<u>\$ 16,413,756</u>
Net pension liability (asset) as a percentage of covered payroll	<u>3.26%</u>	<u>3.04%</u>	<u>-27.14%</u>	<u>51.11%</u>	<u>21.92%</u>	<u>9.28%</u>	<u>14.16%</u>	<u>47.86%</u>	<u>31.49%</u>	<u>28.14%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 June 30, 2024

Fiscal Year Ended June 30	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2024	\$ 1,711,588	\$ 1,711,588	\$ -	\$ 21,900,793	7.82 %
2023	1,583,248	1,583,248	-	19,801,684	8.00
2022	1,397,530	1,397,530	-	18,433,108	7.58
2021	1,357,946	1,357,946	-	17,816,619	7.62
2020	1,124,256	1,124,256	-	18,385,923	6.11
2019	1,062,239	1,062,239	-	17,501,069	6.07
2018	1,239,811	1,239,811	-	16,835,121	7.36
2017	1,256,634	1,256,634	-	16,663,134	7.54
2016	1,573,635	1,573,635	-	16,563,441	9.50
2015	1,562,827	1,562,827	-	15,901,012	9.83

TOWN OF HERNDON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2024

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the "System") benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

No assets are accumulated in a trust to pay benefits to the Local Plan.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty:

- Update mortality table to PUB2010 Public Sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

TOWN OF HERNDON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

Note 2. Changes of Assumptions (Continued)

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better-fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.



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OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Fund

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.

TOWN OF HERNDON, VIRGINIA

Exhibit B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
June 30, 2024**

	Special Revenue
	Chestnut
	Grove Cemetery
	Perpetual
	Care Fund
<hr/>	
ASSETS	
Cash, cash equivalents, and investments - restricted	\$ 2,055,317
	<hr/>
Total assets	\$ 2,055,317
	<hr/> <hr/>
LIABILITIES AND FUND BALANCES	
Fund balances:	
Restricted:	
Cemetery perpetual care	\$ 2,055,317
Total fund balances	2,055,317
	<hr/>
Total fund balances	\$ 2,055,317
	<hr/>

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2024**

	<u>Special Revenue</u> Chestnut Grove Cemetery Perpetual Care Fund <u> </u>
Revenues:	
Revenue from local sources:	
Use of money and property	\$ 107,287
	<u> </u>
Total revenues	<u> 107,287</u>
Other financing sources (uses):	
Transfers in	66,384
Transfers out	<u> (107,287)</u>
	<u> </u>
Total other financing sources, net	<u> (40,903)</u>
	<u> </u>
Net change in fund balances	66,384
Fund balances, July 1	<u> 1,988,933</u>
Fund balances, June 30	<u><u> \$ 2,055,317</u></u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-3
Page 1GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 13,869,500	\$ 13,869,500	\$ 13,814,692	\$ (54,808)
Public service corporation taxes	320,000	320,000	340,619	20,619
Elderly tax relief exemption	(125,000)	(125,000)	(263,693)	(138,693)
Penalties and interest	56,400	56,400	39,434	(16,966)
Total general property taxes	14,120,900	14,120,900	13,931,052	(189,848)
Other local taxes:				
Consumer utility tax	775,000	775,000	806,484	31,484
Right-of-way use fees	120,000	120,000	92,509	(27,491)
Cigarette tax	165,000	165,000	154,917	(10,083)
Transient occupancy tax	1,642,000	1,642,000	2,059,066	417,066
Meals tax	3,500,000	3,500,000	4,418,731	918,731
Bank stock tax	425,000	425,000	598,961	173,961
Cable TV franchise tax	145,000	145,000	121,824	(23,176)
Business licenses (BPOL)	5,600,000	6,430,000	7,195,459	765,459
Utility consumption tax	83,000	83,000	87,320	4,320
Motor vehicle licenses	420,000	420,000	490,464	70,464
Local sales tax	2,520,000	2,520,000	2,666,736	146,736
Total other local taxes	15,395,000	16,225,000	18,692,471	2,467,471
Permits, privilege fees, and regulatory licenses:				
Residential parking permits	300	300	440	140
Planning fees	130,000	130,000	196,832	66,832
State stormwater management fees	4,000	4,000	9,859	5,859
Building inspection fees	504,000	504,000	569,756	65,756
Right of way permit fees	15,000	15,000	15,024	24
Total permits, privilege fees, and regulatory licenses	653,300	653,300	791,911	138,611
Fines and forfeitures:				
Parking fines	29,000	29,000	73,045	44,045
Court fees - Fairfax County	235,000	235,000	327,735	92,735
Court maintenance fees	5,000	5,000	6,377	1,377
E-Summons fees	20,000	20,000	22,396	2,396
Zoning fines	1,500	1,500	600	(900)
Total fines and forfeitures	290,500	290,500	430,153	139,653

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-3
Page 2GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	\$ 1,338,482	\$ 1,338,482	\$ 1,947,287	\$ 608,805
Rental income	8,408	8,408	3,240	(5,168)
Lease revenue	430,127	430,127	381,800	(48,327)
Total use of money and property	1,777,017	1,777,017	2,332,327	555,310
Charges for services:				
Franchise lease	75,110	75,110	75,114	4
Special refuse collection	25,000	25,000	14,902	(10,098)
Recycling collection	395,000	395,000	400,831	5,831
Recreation program fees	1,475,475	1,475,475	1,104,002	(371,473)
Admission fees	174,300	174,300	228,022	53,722
Park operation	31,000	31,000	25,320	(5,680)
Herndon festival	305,000	305,000	-	(305,000)
Concession	5,500	5,500	14,981	9,481
Rental income - parks & recreation	138,000	138,000	165,381	27,381
Tennis/multi-use facility	195,000	195,000	212,322	17,322
Sale of recyclable materials	10,000	10,000	13,629	3,629
Annual parking space maintenance fee	15,522	15,522	13,650	(1,872)
Total charges for services	2,844,907	2,844,907	2,268,154	(576,753)
Miscellaneous	14,000	14,000	231,752	217,752
Total revenue from local sources	35,095,624	35,925,624	38,677,820	2,752,196
Intergovernmental:				
County of Fairfax:				
Contribution toward tourism and economic development	140,000	140,000	40,000	(100,000)
Total from County of Fairfax	140,000	140,000	40,000	(100,000)

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-3
Page 3

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental: (Continued)				
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	\$ 640,000	\$ 640,000	\$ 705,668	\$ 65,668
Communications sales and use tax	1,240,000	1,240,000	1,123,531	(116,469)
Vehicle rental taxes	50,000	50,000	59,318	9,318
Total non-categorical aid	<u>1,930,000</u>	<u>1,930,000</u>	<u>1,888,517</u>	<u>(41,483)</u>
Categorical aid:				
Fire fund program	90,000	110,008	111,008	1,000
Litter control grant	7,800	12,379	12,379	-
Dept. of Criminal Justice Service -				
NOVA regional ICAC grant	40,000	40,000	45,000	5,000
Local law enforcement block grant	5,000	5,000	3,000	(2,000)
State seized assets	-	36,616	23,362	(13,254)
Forestry grant	-	125,000	-	(125,000)
Arts grant	4,500	4,500	4,500	-
Street and highway maintenance				
allocation	2,100,000	2,100,000	2,640,541	540,541
Total categorical aid	<u>2,247,300</u>	<u>2,433,503</u>	<u>2,839,790</u>	<u>406,287</u>
Total from the Commonwealth	<u>4,177,300</u>	<u>4,363,503</u>	<u>4,728,307</u>	<u>364,804</u>
Federal government:				
Categorical aid:				
Dept. of Transportation/ National Highway Safety				
Administration - Selective Enforcement Grant	66,525	66,525	12,046	(54,479)
US Dept. of Justice/ Criminal Division Office				
Equitable Sharing Program Forfeiture Proceeds	-	18,384	18,384	-
Bullet Proof Vest Grant	4,995	4,995	5,835	840
HIDTA Grant	20,000	20,000	-	(20,000)
Miscellaneous	-	135,000	118,807	(16,193)
Community Development Block Grant	167,000	263,000	181,545	(81,455)
Community Development Master Plan	-	720,000	-	(720,000)
Total from the Federal government	<u>258,520</u>	<u>1,227,904</u>	<u>336,617</u>	<u>(891,287)</u>
Total intergovernmental revenue	<u>4,575,820</u>	<u>5,731,407</u>	<u>5,104,924</u>	<u>(626,483)</u>
Other financing sources:				
Proceeds from sale of surplus property	50,000	50,000	205,470	155,470
Insurance recoveries	50,000	104,128	155,520	51,392
Issuance of leases and subscription arrangements	-	-	57,238	57,238
Total other financing sources	<u>100,000</u>	<u>154,128</u>	<u>418,228</u>	<u>264,100</u>
Total General Fund revenues	<u>\$ 39,771,444</u>	<u>\$ 41,811,159</u>	<u>\$ 44,200,972</u>	<u>\$ 2,389,813</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 1

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Legislative:				
Personnel services	\$ 668,238	\$ 668,238	\$ 526,252	\$ 141,986
Operations and maintenance	233,287	302,982	127,186	175,796
Total legislative	901,525	971,220	653,438	317,782
Administration:				
Communications & Economic Development:				
Personnel services	419,283	419,283	353,705	65,578
Operations and maintenance	103,437	192,244	133,548	58,696
	522,720	611,527	487,253	124,274
Town manager:				
Personnel services	422,168	422,168	448,719	(26,551)
Operations and maintenance	15,465	17,465	10,044	7,421
	437,633	439,633	458,763	(19,130)
Human resources:				
Personnel services	617,620	617,620	631,070	(13,450)
Operations and maintenance	155,235	155,235	158,700	(3,465)
	772,855	772,855	789,770	(16,915)
Information services:				
Personnel services	869,208	869,208	913,216	(44,008)
Operations and maintenance	1,128,952	1,013,156	865,143	148,013
Capital outlay	71,750	71,750	68,932	2,818
	2,069,910	1,954,114	1,847,291	106,823
Total administration	3,803,118	3,778,129	3,583,077	195,052
Town attorney:				
Personnel services	733,174	733,174	772,536	(39,362)
Operations and maintenance	129,395	283,845	454,918	(171,073)
Total town attorney	862,569	1,017,019	1,227,454	(210,435)

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 2GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation:				
Administration:				
Personnel services	\$ 660,781	\$ 660,781	\$ 647,798	\$ 12,983
Operations and maintenance	91,400	96,157	95,265	892
	<u>752,181</u>	<u>756,938</u>	<u>743,063</u>	<u>13,875</u>
Recreation programs:				
Personnel services	948,213	948,213	860,601	87,612
Operations and maintenance	666,500	620,781	155,857	464,924
	<u>1,614,713</u>	<u>1,568,994</u>	<u>1,016,458</u>	<u>552,536</u>
Community center operations:				
Personnel services	775,801	775,801	772,574	3,227
Operations and maintenance	490,700	490,700	427,118	63,582
	<u>1,266,501</u>	<u>1,266,501</u>	<u>1,199,692</u>	<u>66,809</u>
Aquatics programs and operations:				
Personnel services	740,787	740,787	750,737	(9,950)
Operations and maintenance	128,400	144,300	132,354	11,946
	<u>869,187</u>	<u>885,087</u>	<u>883,091</u>	<u>1,996</u>
Park operations and development:				
Personnel services	94,048	94,048	95,660	(1,612)
Operations and maintenance	106,300	112,000	101,645	10,355
	<u>200,348</u>	<u>206,048</u>	<u>197,305</u>	<u>8,743</u>
Total parks and recreation	<u>4,702,930</u>	<u>4,683,568</u>	<u>4,039,609</u>	<u>643,959</u>

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 3GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personnel services	\$ 1,658,514	\$ 1,658,514	\$ 1,746,991	\$ (88,477)
Operations and maintenance	172,656	205,398	131,225	74,173
Capital outlay	-	116,544	116,544	-
Total finance	1,831,170	1,980,456	1,994,760	(14,304)
Community development:				
Administration:				
Personnel services	1,926,743	1,926,743	2,022,146	(95,403)
Operations and maintenance	531,052	1,636,451	337,456	1,298,995
Capital outlay	6,314	6,314	607	5,707
	2,464,109	3,569,508	2,360,209	1,209,299
Community inspections:				
Personnel services	243,274	243,274	248,668	(5,394)
Operations and maintenance	8,595	8,595	5,043	3,552
	251,869	251,869	253,711	(1,842)
Total community development	2,715,978	3,821,377	2,613,920	1,207,457

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 4GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Police:				
Field operations:				
Personnel services	\$ 4,245,930	\$ 4,945,930	\$ 5,884,543	\$ (938,613)
Operations and maintenance	62,900	68,401	53,764	14,637
Capital outlay	91,400	589,864	573,386	16,478
	4,400,230	5,604,195	6,511,693	(907,498)
Support services:				
Personnel services	5,523,764	5,523,764	4,869,032	654,732
Operations and maintenance	841,800	1,060,872	928,151	132,721
Capital outlay	150,000	125,542	36,424	89,118
	6,515,564	6,710,178	5,833,607	876,571
Total police	10,915,794	12,314,373	12,345,300	(30,927)
Public Works:				
Administration:				
Personnel services	1,158,520	1,158,520	1,218,090	(59,570)
Operations and maintenance	17,200	22,356	14,369	7,987
Capital outlay	-	3,723	-	3,723
	1,175,720	1,184,599	1,232,459	(47,860)
Engineering:				
Personnel services	871,871	871,871	934,306	(62,435)
Operations and maintenance	61,895	241,576	148,682	92,894
	933,766	1,113,447	1,082,988	30,459
Program management:				
Personnel services	295,212	295,212	362,819	(67,607)
Operations and maintenance	428,800	330,000	97,588	232,412
Capital outlay	1,000	1,000	-	1,000
	725,012	626,212	460,407	165,805
Building inspections:				
Personnel services	594,293	594,293	588,048	6,245
Operations and maintenance	120,738	139,403	124,920	14,483
	715,031	733,696	712,968	20,728
Building maintenance:				
Personnel services	523,242	523,242	642,530	(119,288)
Operations and maintenance	1,168,800	1,326,724	1,364,772	(38,048)
Capital outlay	3,000	-	-	-
	1,695,042	1,849,966	2,007,302	(157,336)

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 5GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works: (Continued)				
Grounds maintenance:				
Personnel services	\$ 863,805	\$ 863,805	\$ 812,753	\$ 51,052
Operations and maintenance	341,035	279,357	165,343	114,014
Capital outlay	1,500	40,566	39,066	1,500
	<u>1,206,340</u>	<u>1,183,728</u>	<u>1,017,162</u>	<u>166,566</u>
Street maintenance:				
Personnel services	919,162	919,162	880,370	38,792
Operations and maintenance	1,082,091	1,509,818	1,118,334	391,484
	<u>2,001,253</u>	<u>2,428,980</u>	<u>1,998,704</u>	<u>430,276</u>
Refuse/recycling:				
Personnel services	1,357,508	1,357,508	1,312,751	44,757
Operations and maintenance	896,800	894,407	773,207	121,200
	<u>2,254,308</u>	<u>2,251,915</u>	<u>2,085,958</u>	<u>165,957</u>
Vehicle and equipment maintenance:				
Personnel services	961,119	961,119	806,676	154,443
Operations and maintenance	657,099	696,788	665,867	30,921
Capital outlay	178,203	244,679	111,567	133,112
	<u>1,796,421</u>	<u>1,902,586</u>	<u>1,584,110</u>	<u>318,476</u>
Traffic engineering:				
Personnel services	302,694	302,694	302,464	230
Operations and maintenance	137,751	206,572	119,130	87,442
	<u>440,445</u>	<u>509,266</u>	<u>421,594</u>	<u>87,672</u>
Right-of-way inspections:				
Personnel services	377,649	377,649	272,811	104,838
Operations and maintenance	55,351	55,614	8,036	47,578
	<u>433,000</u>	<u>433,263</u>	<u>280,847</u>	<u>152,416</u>
Total public works	<u>13,376,338</u>	<u>14,217,658</u>	<u>12,884,499</u>	<u>1,333,159</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-4
Page 6

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Grants:				
Operations	\$ 19,738	\$ 74,738	\$ 41,746	\$ 32,992
Total grants	<u>19,738</u>	<u>74,738</u>	<u>41,746</u>	<u>32,992</u>
Non-departmental				
Operations	<u>117,017</u>	<u>4,021,216</u>	<u>(8,515)</u>	<u>4,029,731</u>
Total non-departmental	<u>117,017</u>	<u>4,021,216</u>	<u>(8,515)</u>	<u>4,029,731</u>
Debt service:				
Principal	1,062,919	1,280,934	1,293,277	(12,343)
Interest and fiscal charges	<u>214,515</u>	<u>219,428</u>	<u>221,686</u>	<u>(2,258)</u>
Total debt service	<u>1,277,434</u>	<u>1,500,362</u>	<u>1,514,963</u>	<u>(14,601)</u>
Other financing uses:				
Transfers out	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing uses	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total General Fund expenditures	<u>\$ 40,773,611</u>	<u>\$ 48,630,116</u>	<u>\$ 41,140,251</u>	<u>\$ 7,489,865</u>

TOWN OF HERNDON, VIRGINIA

Exhibit B-5

GOVERNMENTAL FUND TYPE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CAPITAL PROJECTS FUND
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Use of money and property	\$ -	\$ -	\$ 224,996	\$ 224,996
Intergovernmental	1,650,000	1,650,000	5,679,942	4,029,942
Total revenues	<u>1,650,000</u>	<u>1,650,000</u>	<u>5,904,938</u>	<u>4,254,938</u>
Capital Outlay:				
Administration	-	65,918	65,803	115
Public works:				
Admin, buildings, and grounds	1,000,000	1,317,458	385,711	931,747
Streets, sidewalks, and trails	250,000	6,127,174	6,278,811	(151,637)
Storm-water	650,000	1,257,691	268,899	988,792
Other infrastructure	-	462,500	-	462,500
Total expenditures	<u>1,900,000</u>	<u>9,230,741</u>	<u>6,999,224</u>	<u>2,231,517</u>
Revenues over (under) expenditures	<u>(250,000)</u>	<u>(7,580,741)</u>	<u>(1,094,286)</u>	<u>6,486,455</u>
Other financing sources:				
Transfers in	250,000	250,000	250,000	-
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,330,741)</u>	<u>\$ (844,286)</u>	<u>\$ 6,486,455</u>



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STATISTICAL SECTION

**TOWN OF HERNDON, VIRGINIA
STATISTICAL SECTION**

TABLE OF CONTENTS

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Revenue Capacity – Tables 5 – 9

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

TOWN OF HERNDON, VIRGINIA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 1

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities:										
Net investment in capital assets	\$ 69,544,673	\$ 70,494,388	\$ 71,246,008	\$ 71,885,582	\$ 70,826,382	\$ 73,311,591	\$ 76,256,170	\$ 85,163,306	\$ 92,390,332	\$ 102,658,840
Restricted	2,400,979	3,985,488	1,618,442	2,132,077	2,542,708	1,781,483	1,847,341	6,310,998	2,359,144	2,055,317
Unrestricted	5,849,529	7,336,877	8,499,347	10,633,283	14,016,685	15,761,317	21,402,934	19,003,965	27,994,880	35,578,271
Total governmental activities net position	\$ 77,795,181	\$ 81,816,753	\$ 81,363,797	\$ 84,650,942	\$ 87,385,775	\$ 90,854,391	\$ 99,506,445	\$ 110,478,269	\$ 122,744,356	\$ 140,292,428
Business-type activities:										
Net investment in capital assets	\$ 14,601,815	\$ 16,773,326	\$ 16,771,452	\$ 16,649,854	\$ 16,512,129	\$ 17,092,331	\$ 14,818,995	\$ 14,191,182	\$ 14,578,598	\$ 14,929,160
Restricted	-	-	151,114	161,671	172,116	155,747	160,515	558,821	91,592	91,566
Unrestricted	17,347,462	15,399,987	14,653,463	15,559,458	15,985,051	16,082,595	13,426,076	14,327,549	16,680,263	20,443,886
Total business-type activities net position	\$ 31,949,277	\$ 32,173,313	\$ 31,576,029	\$ 32,370,983	\$ 32,669,296	\$ 33,330,673	\$ 28,405,586	\$ 29,077,552	\$ 31,350,453	\$ 35,464,612
Primary government:										
Net investment in capital assets	\$ 84,146,488	\$ 87,267,714	\$ 88,017,460	\$ 88,535,436	\$ 87,338,511	\$ 90,403,922	\$ 91,075,165	\$ 99,354,488	\$ 106,968,930	\$ 117,588,000
Restricted	2,400,979	3,985,488	1,769,556	2,293,748	2,714,824	1,937,230	2,007,856	6,869,819	2,450,736	2,146,883
Unrestricted	23,196,991	22,736,864	23,152,810	26,192,741	30,001,736	31,843,912	34,829,010	33,331,514	44,675,143	56,022,157
Total primary government net position	\$ 109,744,458	\$ 113,990,066	\$ 112,939,826	\$ 117,021,925	\$ 120,055,071	\$ 124,185,064	\$ 127,912,031	\$ 139,555,821	\$ 154,094,809	\$ 175,757,040
		(1)	(2)				(3)			

Source:
Town of Herndon Finance Department - Exhibit A-1

Notes:

- (1) Fiscal Year 2016 unrestricted net position was restated by \$726,240 due to the recognition of various fees (Lateral Sewer fees, Stormwater fees, and BPOL reserve) previously reported as deferred or unearned.
- (2) Fiscal Year 2017 net position was restated for the implementation of GASB Statement No. 75, which reduced net position by \$2,059,806.
- (3) Fiscal Year 2021 the Downtown Parking Fund net position of \$725,872 was reclassified from business-type activities to governmental activities.

TOWN OF HERNDON, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 2

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses:										
Governmental activities:										
Legislative	\$ 602,274	\$ 677,277	\$ 745,753	\$ 706,048	\$ 734,671	\$ 551,445	\$ 566,955	\$ 521,966	\$ 625,269	\$ 674,807
Administration	2,965,744	2,691,531	3,304,796	3,017,512	3,093,764	3,716,194	3,423,026	3,253,326	3,715,691	3,866,263
Town attorney	522,777	556,236	606,758	612,209	612,349	837,152	1,001,496	822,127	897,125	1,243,907
Parks and recreation	4,732,787	4,839,122	5,012,560	4,879,803	5,280,626	4,649,822	3,312,797	4,024,864	4,434,240	4,678,985
Finance	1,321,326	1,485,207	1,492,031	1,710,148	1,501,718	1,585,696	1,588,972	1,462,517	1,654,259	1,976,186
Community development	1,804,660	1,682,901	1,672,244	1,699,935	1,896,791	2,205,030	2,318,909	1,578,231	2,474,048	2,368,395
Police	9,174,389	10,021,992	10,079,277	10,242,016	10,390,551	11,141,097	10,801,750	10,013,133	10,805,123	12,788,646
Public works	11,501,379	11,665,946	12,594,496	11,337,194	11,598,171	12,810,607	11,860,528	13,588,564	15,538,878	15,663,061
Interest	511,089	287,036	258,075	257,963	491,896	327,914	305,188	245,028	230,704	204,229
Total governmental activities	33,136,425	33,907,248	35,765,990	34,462,828	35,600,537	37,824,957	35,179,621	35,509,756	40,375,337	43,464,479
Business-type activities:										
Water and sewer	6,869,506	7,044,675	7,606,887	6,999,142	8,090,566	7,245,711	7,461,338	8,224,221	8,151,096	8,652,814
Golf course	1,567,919	1,506,117	1,559,749	1,572,043	1,503,005	1,516,523	1,684,876	1,633,991	1,899,298	2,197,969
Chestnut Grove cemetery	697,207	710,164	708,383	668,944	703,935	682,704	784,405	758,540	688,507	714,784
Downtown parking	28,283	72,623	111,913	133,985	110,788	61,674	101,603	-	-	-
Total business-type activities	9,162,915	9,333,579	9,986,932	9,374,114	10,408,294	9,506,612	10,032,222	10,616,752	10,738,901	11,565,567
Total government expenses	42,299,340	43,240,827	45,752,922	43,836,942	46,008,831	47,331,569	45,211,843	46,126,508	51,114,238	55,030,046
Program revenue:										
Governmental activities:										
Charges for services:										
Administration	24,327	9,675	41,075	35,976	6,892	3,205	8,485	52,176	20,273	27,280
Parks and recreation	2,785,759	2,710,943	2,767,730	2,767,916	2,873,136	1,399,288	472,882	1,603,104	1,800,092	1,750,028
Finance	549,600	560,500	571,700	588,333	588,333	583,894	583,894	-	-	-
Police	543,901	447,552	397,691	430,685	460,288	332,689	259,372	335,707	319,681	407,157
Public works	634,681	762,796	710,671	749,504	1,208,825	821,113	898,653	1,066,314	1,016,307	1,230,640
Operating grants and contributions:										
Community development	130,000	40,000	40,000	40,000	40,000	40,000	140,000	40,000	78,940	40,000
Police	671,045	666,752	707,588	864,195	745,352	2,530,623	3,208,911	778,758	1,191,527	672,074
Public works	936,748	953,146	1,178,505	1,046,761	1,080,054	1,194,716	1,234,256	1,145,267	1,266,252	1,419,895
Capital grants and contributions:										
Public works	1,955,113	3,244,961	2,168,349	2,765,821	2,658,343	4,945,608	2,167,274	10,904,664	11,323,314	17,625,379
Total governmental activities program revenue	8,231,174	9,396,325	8,583,309	9,289,191	9,661,223	11,851,136	8,973,727	15,925,990	17,016,386	23,172,453

TOWN OF HERNDON, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)
(Unaudited)

Table 2
Page 2

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 6,303,140	\$ 6,127,359	\$ 6,506,438	\$ 6,935,184	\$ 7,170,706	\$ 6,900,460	\$ 6,342,651	\$ 6,861,887	\$ 7,874,004	\$ 9,057,751
Golf course	1,309,211	1,401,722	1,497,289	1,372,186	1,389,986	1,183,263	2,216,761	2,335,733	2,620,230	2,817,775
Chestnut Grove cemetery	725,182	783,598	890,165	967,731	905,155	821,964	1,144,677	1,298,235	1,146,629	1,164,493
Downtown parking	-	-	26,903	-	-	-	-	-	-	-
Capital grants and contributions:										
Water and sewer	-	-	-	-	-	-	-	130,228	84,070	1,237,668
Golf course	16,670	-	-	-	-	-	-	-	-	-
Chestnut Grove cemetery	-	-	-	-	-	-	-	-	-	167,517
Total business-type activities program revenues	8,354,203	8,312,679	8,920,795	9,275,101	9,465,847	8,905,687	9,704,089	10,626,083	11,724,933	14,445,204
Total government program revenues	16,585,377	17,709,004	17,504,104	18,564,292	19,127,070	20,756,823	18,677,816	26,552,073	28,741,319	37,617,657
Net (expense) revenue (1):										
Governmental activities	(24,905,251)	(24,510,923)	(27,182,681)	(25,173,637)	(25,939,314)	(25,973,821)	(26,205,894)	(19,583,766)	(23,358,951)	(20,292,026)
Business-type activities	(808,712)	(1,020,900)	(1,066,137)	(99,013)	(942,447)	(600,925)	(328,133)	9,331	986,032	2,879,637
Total government net expense	(25,713,963)	(25,531,823)	(28,248,818)	(25,272,650)	(26,881,761)	(26,574,746)	(26,534,027)	(19,574,435)	(22,372,919)	(17,412,389)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	10,963,925	11,040,763	11,218,438	11,416,010	11,690,750	12,255,705	12,837,288	12,868,724	13,723,835	13,914,320
Business license	4,860,528	4,868,291	5,569,516	5,732,161	4,930,755	5,871,507	6,786,720	5,881,836	6,523,651	7,146,880
Transient occupancy	2,187,198	2,169,852	2,199,410	2,286,397	2,345,943	1,607,031	855,309	1,512,110	1,681,394	2,053,220
Meals	2,121,519	2,173,102	2,215,677	2,266,761	2,308,551	2,975,487	2,876,751	3,590,406	4,203,292	4,401,059
Local sales	1,848,993	1,871,189	1,798,728	1,818,023	1,871,909	1,897,945	2,033,030	2,326,918	2,391,096	2,666,736
Other local taxes	2,300,406	2,290,371	2,393,966	2,361,383	2,293,183	2,127,774	2,154,418	2,223,106	2,348,815	2,352,492
Revenues not restricted to specific programs	87,940	90,539	93,362	102,243	66,330	58,203	73,470	70,798	72,926	75,114
Intergovernmental, non-categorical aid	1,815,751	1,868,193	2,067,279	1,583,697	1,482,539	1,460,834	1,304,101	1,281,151	1,248,438	1,182,849
Use of money and property	801,986	1,027,152	909,502	688,957	1,355,800	1,078,968	555,187	548,544	2,666,203	3,537,262
Gain on sale of capital assets	-	14,927	-	-	65,954	19,727	80,168	60,312	57,512	163,797
Miscellaneous and lease income	77,560	708,184	206,101	350,137	481,258	101,558	104,917	120,117	715,221	387,272
Transfers	(386,638)	(174,904)	(155,593)	(144,987)	(218,825)	(12,302)	5,196,589	71,568	(7,345)	(40,903)
Total governmental activities	26,679,168	27,947,659	28,516,386	28,460,782	28,674,147	29,442,437	34,857,948	30,555,590	35,625,038	37,840,098

TOWN OF HERNDON, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 2
Page 3

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Intergovernmental, non-categorical aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,725	\$ 14,220	\$ 1,373	\$ -	\$ -
Use of money and property	276,557	325,396	68,405	132,979	369,224	224,571	22,505	60,622	630,914	930,910
Gain on sale of capital assets	-	-	6,370	33,556	12,904	10,800	-	60,760	20,079	93,750
Miscellaneous	618,690	603,232	511,630	582,445	639,807	564,904	562,910	611,448	628,531	168,959
Transfers	386,638	174,904	155,593	144,987	218,825	12,302	(5,196,589)	(71,568)	7,345	40,903
Total business-type activities	1,281,885	1,103,532	741,998	893,967	1,240,760	1,262,302	(4,596,954)	662,635	1,286,869	1,234,522
Total primary government	27,961,053	29,051,191	29,258,384	29,354,749	29,914,907	30,704,739	30,260,994	31,218,225	36,911,907	39,074,620
Changes in net position:										
Governmental activities	1,773,917	3,436,736	1,333,705	3,287,145	2,734,833	3,468,616	8,652,054	10,971,824	12,266,087	17,548,072
Business-type activities	473,173	82,632	(324,139)	794,954	298,313	661,377	(4,925,087)	671,966	2,272,901	4,114,159
Total primary government	\$ 2,247,090	\$ 3,519,368	\$ 1,009,566	\$ 4,082,099	\$ 3,033,146	\$ 4,129,993	\$ 3,726,967	\$ 11,643,790	\$ 14,538,988	\$ 21,662,231

Source:
Town of Herndon Finance Department - Exhibit A-2

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

TOWN OF HERNDON, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 3

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund:										
Nonspendable	\$ 274,029	\$ 291,196	\$ 338,093	\$ 252,186	\$ 211,510	\$ 166,659	\$ 258,029	\$ 354,739	\$ 289,246	\$ 335,367
Restricted	3,716	3,170	3,228	310,000	-	2,224	1,095,266	1,097,996	1,053,197	-
Committed	800,000	1,000,000	1,200,000	1,400,000	-	-	-	-	-	-
Assigned	2,108,853	2,898,995	2,859,002	2,869,397	5,581,134	5,338,176	6,114,606	10,606,684	11,541,956	13,329,127
Unassigned	8,454,408	9,084,025	9,345,836	10,196,779	10,537,670	13,293,488	19,560,379	16,999,208	17,357,274	19,637,900
Total General Fund	\$ 11,641,006	\$ 13,277,386	\$ 13,746,159	\$ 15,028,362	\$ 16,330,314	\$ 18,800,547	\$ 27,028,280	\$ 29,058,627	\$ 30,241,673	\$ 33,302,394
All Other Governmental Funds:										
Nonspendable	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
Restricted	3,935,728	4,019,354	1,764,513	2,132,077	6,073,939	6,293,607	6,353,031	6,307,965	3,668,703	3,896,237
Assigned	3,252,034	3,942,806	6,510,193	6,335,363	6,944,452	5,308,565	4,640,086	2,955,830	5,768,212	5,640,428
Unassigned	-	(16,879)	(330,872)	(206,498)	-	-	-	-	-	-
Total all other governmental funds	\$ 7,187,762	\$ 7,970,281	\$ 7,968,834	\$ 8,285,942	\$ 13,043,391	\$ 11,602,172	\$ 10,993,117	\$ 9,268,795	\$ 9,441,915	\$ 9,536,665

Source:
Town of Herndon Finance Department - Exhibit A-3

TOWN OF HERNDON, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 4

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues:										
General property taxes	\$ 10,970,320	\$ 11,029,513	\$ 11,214,419	\$ 11,367,365	\$ 11,691,186	\$ 12,241,266	\$ 12,822,398	\$ 12,914,409	\$ 13,805,589	\$ 13,931,052
Other local taxes	13,318,644	13,372,805	14,177,297	14,463,451	13,750,341	14,212,059	14,562,162	15,128,514	17,468,036	18,692,471
Permits, privilege fees and regulatory licenses	522,048	630,218	559,488	603,773	1,057,412	585,191	457,719	613,968	572,280	791,911
Fines and forfeitures	547,939	463,312	423,335	452,965	485,008	353,593	281,512	359,468	342,056	430,153
Use of money and property	801,986	1,027,152	909,502	688,957	1,355,800	1,078,968	555,187	548,544	2,666,203	3,537,262
Charges for services	3,556,221	3,488,475	3,599,406	3,619,194	3,662,069	2,248,267	1,525,312	2,157,122	2,356,037	2,268,154
Miscellaneous	77,560	708,184	206,101	350,137	258,073	51,691	9,985	58,915	400,765	231,752
Intergovernmental	5,508,657	6,773,052	6,161,721	6,300,473	6,006,287	10,171,781	8,054,541	14,149,839	14,738,259	21,310,408
Total revenues	35,303,375	37,492,711	37,251,269	37,846,315	38,266,176	40,942,816	38,268,816	45,930,779	52,349,225	61,193,163
Expenditures:										
Legislative	626,639	654,549	698,951	699,202	713,209	500,752	507,091	507,879	613,312	653,438
Administration	2,457,281	2,582,772	3,131,313	2,863,707	3,006,360	2,978,610	2,775,022	3,111,207	3,357,954	3,583,077
Town attorney	545,434	476,792	476,844	489,362	471,179	676,293	726,639	776,886	833,754	1,227,454
Parks and recreation	4,055,755	4,136,245	4,288,848	4,449,527	4,675,180	3,934,039	2,665,348	3,569,187	3,961,843	4,039,609
Finance	1,307,771	1,427,806	1,518,192	1,716,122	1,532,617	1,508,139	1,477,878	1,517,999	1,646,904	1,994,760
Community development	1,857,171	1,598,172	1,686,329	1,736,736	1,947,330	2,102,628	1,912,361	2,019,189	2,671,606	2,613,920
Police	9,126,841	9,848,958	9,603,136	10,074,661	10,222,766	10,328,678	9,849,301	9,730,969	10,601,772	12,345,300
Public works	9,512,357	10,014,006	10,735,437	10,239,065	9,767,767	10,432,212	9,225,472	11,022,952	13,122,731	12,884,499
Grants	26,042	46,618	74,628	151,977	69,523	84,490	278,570	43,525	8,363	41,746
Non-departmental						457,223	377,676	58,646	68,781	(8,515)
Capital outlay	4,805,785	3,296,422	3,040,310	3,109,930	1,755,189	5,220,582	1,522,495	12,201,731	13,322,378	17,524,766
Debt service:										
Principal	1,681,126	1,102,539	1,090,629	1,256,739	1,344,287	1,189,054	5,877,930	1,015,683	1,236,103	1,293,277
Interest and fiscal charges	573,790	313,792	283,733	283,989	457,264	558,394	396,744	261,940	247,829	221,686
Total expenditures	36,575,992	35,498,671	36,628,350	37,071,017	35,962,671	39,971,094	37,592,527	45,837,793	51,693,330	58,415,017
Excess (deficit) of revenues over (under) expenditures	(1,272,617)	1,994,040	622,919	775,298	2,303,505	971,722	676,289	92,986	655,895	2,778,146
Other financing sources (uses):										
Transfers in	1,043,888	1,474,921	1,535,807	1,335,013	827,525	234,281	1,816,456	819,463	2,461,548	316,384
Transfers out	(1,430,526)	(1,649,825)	(1,691,400)	(1,480,000)	(1,046,350)	(246,583)	(141,416)	(747,895)	(2,468,893)	(357,287)
Issuance of debt	-	-	-	969,000	3,686,266	-	-	1,538	-	-
Proceeds of refunding bonds	4,032,000	-	-	-	-	-	5,087,915	-	-	-
Payment to refunded bond escrow agent	(3,822,703)	-	-	-	-	-	-	-	-	-
Proceeds from sale of property	-	14,927	-	-	65,954	19,727	84,502	78,731	306,273	205,470
Issuance of leases and subscriptions	-	-	-	-	-	-	-	-	86,887	57,238
Insurance recoveries	-	-	-	-	222,501	49,867	94,932	61,202	314,456	155,520
Total other financing sources (uses), net	(177,341)	(159,977)	(155,593)	824,013	3,755,896	57,292	6,942,389	213,039	700,271	377,325
Net changes in fund balances	\$ (1,449,958)	\$ 1,834,063	\$ 467,326	\$ 1,599,311	\$ 6,059,401	\$ 1,029,014	\$ 7,618,678	\$ 306,025	\$ 1,356,166	\$ 3,155,471
Total debt service	\$ 2,254,916	\$ 1,416,331	\$ 1,374,362	\$ 1,540,728	\$ 1,801,551	\$ 1,747,448	\$ 6,274,674	\$ 1,277,623	\$ 1,483,932	\$ 1,514,963
Total expenditures	\$ 36,575,992	\$ 35,498,671	\$ 36,628,350	\$ 37,071,017	\$ 35,962,671	\$ 39,971,094	\$ 37,592,527	\$ 45,837,793	\$ 51,693,330	\$ 58,415,017
Less: capital outlay	(4,496,172)	(3,549,414)	(3,370,996)	(3,752,903)	(1,678,206)	(5,293,568)	(1,322,688)	(11,909,025)	(13,137,562)	(16,551,980)
Noncapital expenditures	\$ 32,079,820	\$ 31,949,257	\$ 33,257,354	\$ 33,318,114	\$ 34,284,465	\$ 34,677,526	\$ 36,269,839	\$ 33,928,768	\$ 38,555,768	\$ 41,863,037
Debt service as a percentage of noncapital expenditures	7.03%	4.43%	4.13%	4.62%	5.25%	5.04%	17.30%	3.77%	3.85%	3.62%

Source:
Town of Herndon Finance Department, Exhibit A-5 and A-6 for capital outlay

TOWN OF HERNDON, VIRGINIA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 5

Fiscal Year June 30,	Property	Business License	Meals	Transient Occupancy	Local Sales	Bank Franchise	Motor Vehicle	Cigarette	Consumer Utility and Consumption	Other (1)	Total
2015	\$ 10,970,320	\$ 4,860,528	\$ 2,121,519	\$ 2,187,198	\$ 1,848,993	\$ 374,316	\$ 365,163	\$ 323,517	\$ 891,319	\$ 346,091	\$ 24,288,964
2016	11,029,513	4,868,291	2,173,102	2,169,852	1,871,189	394,486	358,906	330,796	872,267	333,916	24,402,318
2017	11,214,419	5,569,516	2,215,677	2,199,410	1,798,728	402,719	431,639	288,484	876,765	394,359	25,391,716
2018	11,367,364	5,732,161	2,266,761	2,286,397	1,818,023	407,637	459,417	271,983	886,500	334,572	25,830,815
2019	11,691,186	4,930,755	2,308,551	2,345,943	1,871,909	386,039	461,004	254,081	888,455	303,604	25,441,527
2020	12,241,266	5,767,393	2,845,607	1,573,340	1,897,945	288,186	455,175	209,757	874,759	299,897	26,453,325
2021	12,822,398	6,680,365	2,805,350	888,999	2,033,030	406,526	432,593	178,772	867,110	269,417	27,384,560
2022	12,914,409	5,863,537	3,447,384	1,267,569	2,326,918	483,622	430,872	175,432	870,086	263,094	28,042,923
2023	13,805,589	6,460,183	4,347,841	1,920,100	2,391,096	606,024	466,540	167,255	894,923	214,074	31,273,625
2024	13,931,052	7,195,459	4,418,731	2,059,066	2,666,736	598,961	490,464	154,917	893,804	214,333	32,623,523
Change 2015-2024	26.99%	48.04%	108.28%	-5.86%	44.23%	60.01%	34.31%	-52.11%	0.28%	-38.07%	34.31%

Source: Town of Herndon Finance Department and Exhibit B-3

Notes:

(1) Includes right of way use fees and cable TV franchise fees.

TOWN OF HERNDON, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Table 6

Assessment Year	Residential Property	Commercial Property	Public Service Corporation	Tax-Exempt (Nontaxable)	Total Assessed Value (1)	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate (1)	Actual Taxable Value	Value as a Percentage of Actual Value
2015	\$ 2,173,438,731	\$ 1,859,709,194	\$ 112,355,453	\$ 214,819,800	\$ 4,360,323,178	\$ 4,145,503,378	5.1%	\$ 0.2650	\$ 4,145,503,378	100.00%
2016	2,256,968,560	1,823,038,660	114,688,984	220,801,220	4,415,497,424	4,194,696,204	1.2%	0.2650	4,194,696,204	100.00%
2017	2,348,465,120	1,848,104,770	124,886,642	239,891,960	4,561,348,492	4,321,456,532	3.0%	0.2650	4,321,456,532	100.00%
2018	2,430,186,400	1,890,348,960	119,777,904	241,876,120	4,682,189,384	4,440,313,264	2.8%	0.2650	4,440,313,264	100.00%
2019	2,546,334,900	1,971,459,740	122,069,304	252,749,430	4,892,613,374	4,639,863,944	4.5%	0.2650	4,639,863,944	100.00%
2020	2,631,535,050	2,098,506,390	123,604,788	260,867,840	5,114,514,068	4,853,646,228	4.6%	0.2650	4,853,646,228	100.00%
2021	2,742,953,080	2,051,179,410	117,428,156	255,179,930	5,166,740,576	4,911,560,646	1.2%	0.2650	4,911,560,646	100.00%
2022	3,040,609,020	2,134,122,810	120,470,511	271,536,580	5,566,738,921	5,295,202,341	7.8%	0.2650	5,295,202,341	100.00%
2023	3,222,879,610	2,110,160,790	122,445,557	288,379,870	5,743,865,827	5,455,485,957	3.0%	0.2600	5,455,485,957	100.00%
2024	3,372,724,630	2,012,217,580	123,925,244	297,596,690	5,806,464,144	5,508,867,454	1.0%	0.2600	5,508,867,454	100.00%

Sources:

Town of Herndon Finance Department

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

PSC Values from the State Corporation Commission, Certified every September

Notes:

(1) Rates are per \$100 of assessed value.

TOWN OF HERNDON, VIRGINIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

Table 7

Assessment Tax Year	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2015	\$ 0.265	\$ -	\$ 1.090	\$ 4.57	\$ 1.355	\$ 4.57
2016	0.265	-	1.130	4.57	1.395	4.57
2017	0.265	-	1.130	4.57	1.395	4.57
2018	0.265	-	1.150	4.57	1.415	4.57
2019	0.265	-	1.150	4.57	1.415	4.57
2020	0.265	-	1.150	4.57	1.415	4.57
2021	0.265	-	1.140	4.57	1.405	4.57
2022	0.265	-	1.110	4.57	1.375	4.57
2023	0.260	-	1.095	4.57	1.355	4.57
2024	0.260	-	1.125	4.57	1.385	4.57

Source:
Town of Herndon Finance Department

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

**TOWN OF HERNDON, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)**

Table 8

Taxpayer	2024				2015			
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	
MREI V TOWNES LLC	\$ 84,782,260	1	1.54	%	\$ -	-	-	%
USGBF 499 Grove Street LLC	79,940,920	2	1.45		-	-	-	
Westerly at Worldgate Owner LLC	76,722,790	3	1.39		-	-	-	
USGBF 399 Grove Street LLC	62,298,790	4	1.13		-	-	-	
MIVPO LLC	49,075,450	5	0.89		56,554,760	7	1.36	
Stuart Woods Project LLC	45,271,720	6	0.82		59,901,780	5	1.44	
38 WP2D1 Owner LLC	42,745,400	7	0.78		-	-	-	
Monument III Owner LLC	42,360,920	8	0.77		-	-	-	
661 Dulles Park Ct Owner LLC	42,172,350	9	0.77		-	-	-	
VanMetre Dulles Apartments LLC	40,732,210	10	0.74		-	-	-	
BP New Dominion Technology	-	-	-		74,129,800	1	1.79	
New Dominion	-	-	-		67,583,590	2	1.63	
GSG Residential Westerly	-	-	-		62,584,810	3	1.51	
GSG Residential Townes	-	-	-		60,005,960	4	1.45	
Inland American Herndon Worldgate	-	-	-		58,837,590	6	1.42	
Realty Associates Fund PX LP	-	-	-		51,858,220	8	1.25	
RREEF America Reit II Corp VVV	-	-	-		46,244,020	9	1.11	
Washington Real Estate Investment Trust	-	-	-		47,412,790	10	1.14	
Total	<u>\$ 566,102,810</u>		<u>10.28</u>	%	<u>\$ 585,113,320</u>		<u>14.10</u>	%

Sources:

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

Town of Herndon Finance Department (2015 ACFR)

TOWN OF HERNDON, VIRGINIA
REAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 9

Assessment Tax Year	Taxes Levied for the Tax Year (1)	Collected Within the Tax Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 10,299,028	\$ 10,272,232	99.74%	\$ 26,796	\$ 10,299,028	100.00%
2015	10,705,433	10,674,237	99.71%	30,969	10,705,206	100.00%
2016	10,805,027	10,767,440	99.65%	37,587	10,805,027	100.00%
2017	11,019,662	10,999,443	99.82%	20,501	11,019,944	100.00%
2018	11,449,420	11,434,920	99.87%	14,501	11,449,421	100.00%
2019	11,965,659	11,794,199	98.57%	168,380	11,962,579	99.97%
2020	12,534,612	12,388,867	98.84%	142,188	12,531,055	99.97%
2021	12,704,453	12,617,454	99.32%	76,943	12,694,397	99.92%
2022	13,713,041	13,529,086	98.66%	169,122	13,698,208	99.89%
2023	13,865,905	13,526,299	97.55%	262,432	13,788,731	99.44%

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
RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Table 10

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	Leases Subscriptions and Notes	Revenue Bonds	Other Obligations				General Obligation Bonds		Debt Per Capita
2015	\$ 12,464,958	\$ 87,397	\$ 2,609,488	\$ -	\$ 15,161,843	0.85	642	\$ 12,464,958	30%	528
2016	11,353,283	83,158	2,355,385	-	13,791,826	0.76	583	11,353,283	27%	480
2017	10,253,274	78,794	2,036,746	-	12,368,814	0.66	521	10,253,274	24%	432
2018	10,031,639	-	1,771,516	-	11,803,155	0.63	496	10,031,639	23%	421
2019	12,354,914	-	9,352,703	3,681,872	25,389,489	1.35	1,060	12,354,914	27%	516
2020	10,947,964	-	8,817,990	3,419,303	23,185,257	1.17	964	10,947,964	23%	455
2021	11,106,525	-	7,660,345	3,178,614	21,945,484	1.06	912	11,106,525	23%	462
2022	10,125,610	80,027	7,492,099	2,934,891	20,632,627	0.96	857	10,125,610	19%	421
2023	9,125,112	426,387	7,318,437	2,279,146	19,149,082	0.83	784	9,125,112	17%	374
2024	8,097,534	210,267	7,139,357	2,048,419	17,495,577	0.71	716	8,097,534	15%	331

Source:
Town of Herndon Finance Department Analysis of Long-Term Debt

- 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 14.
 - (3) See table 6 for taxable value of property.
 - (4) The Downtown Parking Fund debts were reclassified from business-type to governmental activities 2021.

TOWN OF HERNDON, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2024
(Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Percentage Applicable (1)	Share of Overlapping Debt (2)
Fairfax County, Virginia	\$ 2,812,958,381	1.68%	\$ 47,374,588
Town Direct Debt (3)	<u>8,307,802</u>	100%	<u>8,307,802</u>
Total direct and overlapping debt	<u><u>\$ 2,821,266,183</u></u>		<u><u>\$ 55,682,390</u></u>

Sources:

County of Fairfax Finance Department and Town of Herndon Finance Department

Notes:

(1) The percentage of overlapping debt applicable is determined using taxable assessed property values.
The Town of Herndon is located within the geographic boundaries of the County of Fairfax.

(2) Amounts for bonds are reported net of premiums and/or discounts.

(3) The town's direct debt is also presented in Table 12.

TOWN OF HERNDON, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

Table 12

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt limit	\$ 403,314,793	\$ 408,000,722	\$ 419,656,989	\$ 432,053,536	\$ 451,779,464	\$ 473,004,144	\$ 479,413,249	\$ 517,473,183	\$ 533,304,040	\$ 538,494,221
Total debt applicable to limit	12,466,973	11,436,441	10,332,068	10,031,639	12,354,914	10,205,637	11,106,523	10,205,637	9,551,499	8,307,801
Legal debt margin	<u>\$ 390,847,820</u>	<u>\$ 396,564,281</u>	<u>\$ 409,324,921</u>	<u>\$ 422,021,897</u>	<u>\$ 439,424,550</u>	<u>\$ 462,798,507</u>	<u>\$ 468,306,726</u>	<u>\$ 507,267,546</u>	<u>\$ 523,752,541</u>	<u>\$ 530,186,420</u>
Total debt applicable to the limit as a percentage of debt limit	3.09%	2.80%	2.46%	2.32%	2.73%	2.16%	2.32%	1.97%	1.79%	1.54%

Legal Debt Margin Calculation for Fiscal Year 2024:

Assessed value of real estate	<u>\$ 5,384,942,210</u>
Debt limit (10% of assessed value) (1)	538,494,221
Total Debt applicable to limit:	<u>8,307,801</u>
Legal debt margin	<u><u>\$ 530,186,420</u></u>

Summary of Outstanding Governmental Debt:

2018B General obligation bonds	\$ 3,970,000
2020A Refunding bonds (2010 GO & 2014 refund)	3,655,046
2020B Refunding bonds (2010 refund & 2018B GO)	357,597
Leases	23,370
Subscriptions	186,897
Deferred bond premiums	114,891
Total debt applicable to limit	<u><u>\$ 8,307,801</u></u>

Source:
Town of Herndon Finance Department

Notes:

(1) 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, therefore, debt from the business-type activities is excluded.

TOWN OF HERNDON, VIRGINIA
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

Table 13

Water and Sewer Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2020	\$ 7,389,157	\$ 5,966,717	\$ 1,422,440	\$ 284,450	\$ 246,885	\$ 531,335	2.68
2021	6,726,135	5,615,114	1,111,021	262,569	246,887	509,456	2.18
2022	7,380,676	6,741,392	639,284	388,600	241,302	629,902	1.01
2023	8,780,030	6,637,788	2,142,242	284,766	353,934	638,700	3.35
2024	9,716,246	6,926,277	2,789,969	300,726	339,011	639,737	4.36

Golf Course Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 1,366,093	\$ 1,295,926	\$ 70,167	\$ 93,085	\$ 39,014	\$ 132,099	1.25
2016	1,502,549	1,238,349	264,200	96,562	34,538	131,100	2.02
2017	1,510,009	1,298,643	211,366	100,501	30,848	131,349	1.61
2018	1,442,234	1,313,374	128,860	103,977	26,802	130,779	0.99
2019	1,472,969	1,244,250	228,719	108,767	22,602	131,369	1.74
2020	1,247,685	1,269,174	(21,489)	111,993	22,783	134,776	(0.16)
2021	2,279,480	1,487,992	791,488	37,707	20,206	57,913	13.67
2022	2,403,318	1,423,777	979,541	19,639	3,965	23,604	41.50
2023	2,792,673	1,712,053	1,080,620	20,021	15,846	35,867	30.13
2024	3,031,262	1,971,674	1,059,588	80,020	11,253	91,273	11.61

Chestnut Grove Cemetery Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 814,677	\$ 540,926	\$ 273,751	\$ 116,406	\$ 56,725	\$ 173,131	1.73
2016	839,852	539,973	299,879	146,638	42,140	188,778	1.59
2017	899,125	552,130	346,995	207,234	36,166	243,400	1.43
2018	1,026,042	515,428	510,614	154,079	29,106	183,185	2.79
2019	982,863	552,786	430,077	157,946	24,947	182,893	2.35
2020	879,318	531,954	347,364	161,511	23,014	184,525	1.88
2021	1,211,864	574,258	637,606	39,033	25,164	64,197	9.93
2022	1,401,415	626,039	775,376	28,607	5,226	33,833	22.92
2023	1,302,268	622,339	679,929	29,060	5,036	34,096	19.94
2024	1,367,546	653,775	713,771	29,060	4,845	33,905	21.05

Downtown Parking Fund							
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2020	\$ 36,486	\$ 24,383	\$ 12,103	\$ 5,000	\$ 38,975	43,975	0.28
2021 (4)	19,088	64,468	(45,380)	5,000	38,876	43,876	(1.03)

Source:
Town of Herndon Finance Department - Exhibits A-9 and A-10

Notes:

(1) Gross revenues includes all revenues of the fund except gains on sale of capital assets and capital grant revenue.

(2) Operating expenses do not include depreciation and amortization, interest expense and losses on sale of capital assets.

(3) See Note 8 in the Notes to the Financial Statements for detailed information regarding the bonds issued by these funds.

(4) The Downtown Parking Fund was closed at the end of fiscal year 2021.

TOWN OF HERNDON, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Table 14

Calendar Year	Population (1)	Per Capita Personal Income (2)	Personal Income (000) (1) * (2)	Public School Enrollment (3)	Unemployment Rates (%) (4)
2015	23,612	\$ 75,756	\$ 1,788,751	185,914	4.0
2016	23,666	76,213	1,803,657	185,979	3.3
2017	23,734	78,376	1,860,176	187,484	3.2
2018	23,809	78,376	1,866,054	188,403	2.7
2019	23,949	78,376	1,877,027	187,474	2.3
2020	24,042	82,441	1,982,047	188,355	7.8
2021	24,057	86,141	2,072,294	179,748	4.1
2022	24,069	88,971	2,141,443	178,421	2.5
2023	24,428	94,677	2,312,770	177,570	2.5
2024	24,428	101,400	2,476,999	180,527	2.7

Sources:

- (1) Town of Herndon, Community Development Annual Population Estimate memo
- (2) www.bea.gov Tools>Interactive Data> Regional Data>GDP & Personal Income> Personal Income and Employment (CAINC)>Fairfax County - updated November 2022
- (3) Actual enrollment is obtained from FCPS Approved Budget Book at www.fcps.edu
- (4) Virginia Employment Commission, www.virginiaworks.com Employment>Local Area Unemployment Statistics (LAUS) - Fairfax County June (Unadjusted)

**TOWN OF HERNDON, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)**

Table 15

Employer	2024			2015	
	Number of Employees (1)	Rank	Percentage of Total Town Employment (2)	Number of Employees (3)	Rank
Everfox Holdings LLC	500-749	1	2.95%	-	-
Serco	500-749	2	2.72%	-	-
Northwest Federal Credit Union	250-499	3	2.24%	249-499	4
Amazon Web Services	250-499	4	2.12%	-	-
Karsun Solutions	250-499	5	2.04%	-	-
Peraton	250-499	6	1.97%	-	-
Boeing Corporation	250-499	7	1.81%	100-250	9
NetImpact Strategies	250-499	8	1.39%	-	-
Town of Herndon	100-249	9	1.13%	249-499	7
Ntrepid LLC	100-249	10	0.83%	-	-
Booz Allen Hamilton Inc.	-	-	-	Over 500	1
Exelis Inc.	-	-	-	Over 500	2
CLF Herndon LLC	-	-	-	Over 500	3
Amazon Corporation	-	-	-	249-499	5
Worldgate Sport & Health Club	-	-	-	249-499	6
Airline Pilots Association	-	-	-	100-250	8
Medical Transportation Services	-	-	-	100-250	10

Sources:

- (1) Town of Herndon Communications & Economic Development and Finance Departments
- (2) Fairfax County Economic Development Authority provides total town employment
- (3) Town of Herndon 2015 Annual Comprehensive Financial Report

Note:

Percentage of total town employment for fiscal year 2015 is not available.

TOWN OF HERNDON, VIRGINIA
FULL-TIME TOWN GOVERNMENT EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Table 16

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Legislative	3.5	3.0	3.9	3.1	2.9	3.4	3.6	3.2	2.9	3.0
Administration:										
Communications & economic development	2.7	2.8	2.8	2.9	3.0	2.7	2.8	2.8	2.7	2.2
Town manager	2.1	2.8	3.0	3.0	2.9	1.4	2.0	2.0	2.0	2.0
Human resources	3.5	3.6	3.7	3.8	3.7	3.8	3.8	4.3	4.6	4.8
Information services	5.9	6.1	5.5	5.9	6.3	6.2	5.2	5.4	6.1	6.2
Town attorney	2.6	2.5	2.7	2.7	2.8	4.1	4.6	4.6	4.6	4.6
Parks and recreation:										
Administration	5.1	5.7	5.8	5.8	5.8	5.6	5.6	5.4	5.2	5.0
Recreation programs	14.8	16.3	15.9	16.4	15.6	13.3	4.6	8.2	10.1	11.0
Community center operations	16.6	16.0	16.4	15.7	17.3	15.3	8.1	8.3	8.7	8.8
Aquatics programs and operations	13.8	12.1	13.4	13.9	14.0	11.1	4.8	8.8	10.3	11.0
Park operation and development	1.1	0.8	1.5	2.2	2.6	2.1	1.3	1.3	1.2	1.5
Finance Administration										
Finance Administration	1.0	1.0	1.1	2.0	1.9	2.5	2.3	2.1	12.0	12.7
Accounting	5.8	5.8	6.3	6.2	5.7	5.0	4.4	4.8	0.0	0.0
Revenue	2.8	2.7	2.8	2.4	2.8	3.2	4.2	4.1	0.0	0.0
Procurement	0.6	1.0	0.8	1.0	1.0	1.0	1.0	0.9	0.0	0.0
Community development	18.2	14.8	15.5	14.5	16.3	16.8	15.6	16.1	16.7	16.7
Police:										
Field operations	46.6	45.1	47.1	42.2	42.3	42.9	38.6	36.0	35.4	37.3
Support services	35.4	34.8	35.0	35.3	34.4	32.3	34.4	35.2	38.1	39.3
Public works:										
Administration	7.0	6.9	6.5	6.5	6.3	5.9	6.0	7.3	7.7	7.7
Engineering	4.7	3.9	4.9	4.8	5.3	5.1	6.0	6.3	7.0	7.0
Program management	2.0	1.5	1.3	1.8	1.8	2.0	2.0	2.2	2.5	2.4
Building inspections	4.4	4.6	4.9	4.6	4.3	4.9	4.3	5.0	5.0	5.0
Building maintenance	7.2	7.2	7.0	7.0	6.8	6.0	4.4	5.1	5.9	7.1
Grounds maintenance	11.6	12.3	12.6	11.7	11.7	11.6	11.9	11.0	10.5	9.9
Street maintenance	9.8	10.3	10.2	9.7	8.7	8.9	9.3	8.4	7.9	8.8
Refuse/recycling	16.6	16.9	15.2	13.9	14.5	14.1	14.9	14.5	15.8	16.1
Vehicle and equipment replacement	10.5	10.5	10.0	8.9	8.9	8.0	7.6	8.5	8.6	6.5
Traffic engineering	3.2	2.6	3.1	3.0	3.0	2.6	3.0	2.8	2.2	2.7
Right-of-way inspections	3.1	3.1	3.0	3.0	3.0	2.8	3.0	3.0	2.4	2.3

TOWN OF HERNDON, VIRGINIA
FULL-TIME TOWN GOVERNMENT EQUIVALENT EMPLOYEES BY FUNCTION / PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 16
Page 2

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water and Sewer:										
Customer service	4.3	3.5	4.3	3.1	2.9	2.9	2.4	2.8	2.2	2.9
Sewer service and maintenance	5.2	5.1	4.8	5.2	5.4	6.7	5.5	6.7	7.7	7.8
Water supply and maintenance	8.3	7.7	7.4	6.7	5.2	4.4	4.7	5.0	5.8	6.2
Golf Course:										
Maintenance	7.3	6.8	7.3	6.7	6.5	6.4	7.4	7.4	6.7	7.4
Clubhouse	6.1	5.4	5.5	5.5	5.1	4.5	6.0	5.1	6.3	6.4
Chestnut Grove Cemetery:										
Administration	4.9	4.3	4.7	4.7	5.0	4.4	4.8	4.9	4.6	4.8
Total	298.3	289.5	295.9	285.8	285.7	273.9	250.1	259.5	269.4	277.1

Source:
Town of Herndon, Finance Department Munis report Payroll>Employee History>History Inquiry

TOWN OF HERNDON, VIRGINIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 17

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police:										
Calls for service (1)	36,230	35,520	21,967	24,253	23,246	23,102	22,332	24,020	25,518	28,590
Human Resources:										
Recruitments requests (2)	65	64	43	67	64	83	115	138	193	207
Building safety:										
Total building permits (3)	230	263	237	298	280	193	217	469	166	290
Total inspections performed (3)	2,844	3,496	3,433	3,340	4,460	3,096	2,217	2,293	2,393	2,560
Public service:										
Refuse collected (tons) (1)	6,250	6,410	6,537	6,309	6,358	6,179	6,801	5,357	5,354	5,824
Recycle collected (residential - tons) (1)	1,673	1,711	1,752	1,803	1,789	1,633	1,622	1,381	1,364	1,332
Parks and Recreation:										
Class and program attendance (4)	11,200	11,600	13,700	12,300	13,700	8,500	1,200	5,200	6,600	7,214
Herndon Festival attendance (4)	83,000	78,500	81,500	40,300	62,000	0	0	30,000	34,276	0
Water and sewer:										
New utility accounts (3)	20	35	26	75	3	3	2	3	0	33
Average daily water consumption (mgd) (3)	2.15	2.13	2.24	2.28	2.21	2.19	1.99	2.02	2.02	2.02
Average daily sewage treatment (mgd) (3)	2.46	2.44	2.67	2.88	3.36	3.02	2.95	2.86	2.82	2.59
Golf Course:										
Rounds played (18 and 9 hole) (5)	30,368	33,112	33,029	31,369	31,401	27,301	47,397	47,846	47,922	52,378
Cemetery:										
Interment rights for sites sold (1)	136	132	148	171	148	152	199	231	161	190
Interments performed (1)	139	140	133	161	140	153	175	183	162	168

Sources:

- (1) Town of Herndon Town Manager's Annual Reports
- (2) Town of Herndon Department of Human Resources
- (3) Town of Herndon Department of Public Works
- (4) Town of Herndon Parks & Recreation
- (5) Herndon Centennial Golf Course

TOWN OF HERNDON, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 18

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police:										
Stations (1)	1	1	1	1	1	1	1	1	1	1
Vehicles (1)	45	47	47	47	47	50	47	45	50	60
Refuse Collection:										
Collection trucks (2)	9	10	10	10	10	17	16	16	15	14
Other public works:										
Vehicles/equipment maintained (2)	424	429	533	567	552	514	553	527	506	431
Streets:										
Primary (miles) (2)	31.3	31.3	31.3	41.6	41.6	41.6	41.6	41.6	41.6	41.2
Secondary (miles) (2)	98.4	98.4	98.4	88.4	88.4	88.4	88.4	88.4	88.4	88.5
Parks & Recreation:										
Parks - number of acres (3)	97	97	137	137	137	137	137	137	137	137
Swimming pools (3)	1	1	1	1	1	1	1	1	1	1
Parks with playground equipment (3)	7	7	7	7	7	7	7	7	7	7
Community centers (3)	1	1	1	1	1	1	1	1	1	1
Water:										
Water lines (miles) (2)	84.7	84.7	84.7	84.9	85.0	85.0	85.0	85.0	85.0	85.0
Storage capacity (million gallons) (2)	3.3	3.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Wastewater:										
Sanitary sewers (miles) (2)	81.8	81.8	81.8	81.9	81.9	81.9	81.9	81.9	81.9	81.9

Sources:

- (1) Town of Herndon Police Department
- (2) Town of Herndon Department of Public Works
- (3) Town of Herndon Park & Recreation

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www.herndon-va.gov

COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Herndon, Virginia (the "town"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the town's basic financial statements, and have issued our report thereon dated November 18, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.**

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 2024-002.**

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 18, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Program

We have audited the Town of Herndon, Virginia's (the "town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the town's major federal programs for the year ended June 30, 2024. 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.

In our opinion, the Town of Herndon, Virginia, complied, in all material respects, with the types of 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, 2024.

Bases for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the town and to meet our ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Herndon, Virginia's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the town's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 18, 2024

TOWN OF HERNDON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2024

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Urban Highway Maintenance

Fire Programs Aid to Localities

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency and no material weaknesses** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major program of the town is:

<u>Name of Program</u>	<u>ALN #</u>
COVID – 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Town of Herndon was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2024-001: Audit Adjustments (Significant Deficiency)

Condition:

During the audit, we detected significant misstatements in the Chestnut Grover Cemetery Fund and Golf Course Fund. Generally accepted auditing standards dictate that detection of errors in an audit is a strong indicator of a significant deficiency or material weakness. Accordingly, we are required to communicate this finding as such.

Criteria:

Capital projects, construction in progress, material and supplies, and capital asset accounts should be reviewed in detail to ensure proper accounting treatment.

(Continued)

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Cause:

A comprehensive review of all capital projects, construction in progress, material and supplies, and capital asset accounts was not properly done to identify capital assets.

Effect:

Multiple significant adjustments were made to capital assets.

Recommendation:

Significant audit adjustments indicate that financial information presented to use for the audit was missing or inaccurate. We recommend a review of such accounts to ensure accuracy each year. Additionally, all adjustments that were made as a result of our current year audit should be reviewed during the next year as a reminder of matters needing accounting attention in preparing the 2025 audit.

Views of Responsible Officials and Planned Corrective Action:

We have reviewed the findings and adjustments as described. We are in concurrence with the findings and have recorded the identified adjustments. As a result of these findings, we intend to conduct additional training for staff and supervisors to ensure an adequate knowledge base on capital expenditure accounting. In addition, we will update our procedures to include quarterly account reconciliations and exception reporting to ensure that the activity in our capital outlay, capital asset and expenditure accounts is properly identified and recorded correctly.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2024-002: U-3 Local Finance Survey Submission

Condition:

During the audit, we reviewed the submitted U-3 Local Finance Survey report and related reconciliation and found it did not materially tie to the Town's general ledger.

Criteria:

U-3 Local Finance Survey report should reconcile to the Town's general ledger.

Cause:

Comparison to the Town's general ledger before submitting the U-3 Local Finance Survey report was completed but still had material differences.

(Continued)

TOWN OF HERNDON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

D. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

Effect:

U-3 Local Finance Survey did not materially match the Town's general ledger and led to the Town resubmitting their report.

Recommendation:

We recommend a review of the U-3 Local Finance Survey report and comparison to the Town's general ledger before submitting to ensure accuracy and completeness of the numbers.

Views of Responsible Officials:

We concur with this condition.

TOWN OF HERNDON, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Assistance Listing Number	Cluster Name	Pass-through Entity Identifying Number	Cluster Amounts	Federal Expenditures
U.S. Department of Housing and Urban Development:					
Pass-Through Payments:					
Fairfax County, Virginia:					
Community Development Block Grants:					
Entitlement Grants	14.218	CDBG-Entitlement Grants Cluster	N/A	\$ 181,546	\$ 181,546
Total U.S. Department of Housing and Urban Development					181,546
U.S. Department of Justice:					
Direct Payments:					
Bulletproof Vest Partnership Program	16.607	N/A	N/A		5,835
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	N/A		3,000
DCJS Equitable Sharing Program	16.922				18,384
Total U.S. Department of Justice					27,219
Department of Transportation:					
Pass-Through Payments:					
Virginia Department of Transportation:					
State and Community Highway Safety Program	20.600	Highway Safety Cluster	N/A	9,845	9,845
Total Department of Transportation					9,845
Department of the Treasury:					
Direct Payments:					
Fairfax County, Virginia:					
Coronavirus State and Local Fiscal Recovery Recovery Funds	21.027	N/A	N/A		10,525,542
Pass-Through Payments:					
Virginia Department of Criminal Justice Services					
DCJS ARPA Law Enforcement Equipment Grant Program	21.027	N/A	N/A		118,807
Total Department of the Treasury					10,644,349
Total Expenditures of Federal Awards					\$ 10,862,959

NOTE 1 - BASIS OF PRESENTATION:

The accompanying Schedule of Federal Expenditures includes the activity of all federally assisted programs of the Town of Herndon, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the Town of Herndon, Virginia's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

NOTE 2 - DE MINIMIS INDIRECT COST RATE:

The entity did not elect to use the 10% de minimus indirect cost rate.

NOTE 3 - OUTSTANDING LOAN BALANCES:

At June 30, 2024, the Town had no outstanding loan balances requiring continuing disclosure.