TOWN OF Herndon



Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2026

The ACFR is online at www.Herndon-va.gov/ACFR

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TOWN OF HERNDON, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2026

Prepared by the
Department of Finance

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TOWN OF HERNDON, VIRGINIA
FINANCIAL REPORT

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TOWN OF Herndon VIRGINIA

www.herndon-va.gov

INTRODUCTORY SECTION

TOWN OF Herndon VIRGINIA

Office of the Town Manager
T (703) 787-7368
town.manager@herndon-va.gov

October 30, 2026

Dear Mayor LeBlanc, 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 (town), for the fiscal year ended June 30, 2026. 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, 2026, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by town management; and evaluating the overall financial statement presentation.

The independent auditors' report is presented as the first component of the report's financial section.

Profile of the Town

The Town of Herndon, Virginia, incorporated in 1879, is 4.25 square miles 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. A rural dairy outpost at its founding, Herndon is now home to an estimated 25,506 residents. Continued population growth is anticipated through higher-density, transit-oriented residential development near the Herndon Metro station and the conversion of obsolete office buildings to residential uses. While the timing of redevelopment remains uncertain, based on the pipeline of upcoming projects, planned future land uses, and small area plans, the Town's population is expected to increase to approximately 32,700 by 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.

The town is organized under the council-manager form of government, combining the strong political leadership of elected officials with the strong professional experience of an appointed local government manager. Herndon residents elect the mayor and six members of the Town Council at large for two-year terms. Town Council, as the governing body, adopt legislation and set policy. The Town Council then hires a Town Manager with broad executive authority to carry out those policies and oversee the local government's day-to-day operations.

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, and public safety support.

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, Stormwater Management 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 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, Outlook and Environment

Located in Fairfax County, the center of the Dulles Technology Corridor, Herndon enjoys a significant corporate presence that includes Amazon Web Services, Boeing, Karsun Solutions, Northwest Federal Credit Union, Peraton, Serco, and a significant federal presence. Per the U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates, the Town's median household income is $148,000. As of August 2026, current unemployment rates are 4.1 percent nationally, 3.6 percent for the Commonwealth of Virginia and 3.3 percent for Fairfax County.

The Herndon business community encompasses a diverse range of industries and business types, from small, locally owned establishments and home-based businesses to corporate headquarters and firms specializing in technology, professional services, financial services, and government contracting. This diversity contributes to the Town's economic stability, although broader regional trends, including changes in federal spending, workforce patterns, and demand for commercial office space, continue to influence local economic conditions. The town's proximity to major employment centers, regional transportation networks, and Washington Dulles International Airport remains an important competitive advantage.

The overall economic forecast continues to assume modest growth in residential property values, though appreciation is likely to slow as interest rates, rising inventory, and affordability constraints influence buyer demand. Meanwhile, select commercial property sectors continue to face near-term softness. Interest in infill residential development and the redevelopment of older commercial properties remains high, particularly in areas adjacent to the Herndon Metrorail Station.

During FY2026, the Town advanced its Market Study and Economic Development Strategy as part of the Herndon 2050 Comprehensive Plan process. This effort provides a comprehensive assessment of the Town's commercial real estate market, business environment, and long-term economic opportunities and challenges. The resulting strategies are intended to guide future economic development efforts, support commercial reinvestment, strengthen existing business districts, and identify opportunities for business expansion and economic diversification. Also, the Town continues to emphasize business retention and expansion, entrepreneurship, and regional partnerships that connect local businesses with technical assistance, workforce resources, and opportunities for growth. Complementing these efforts, the Town continues to support entrepreneurship and small business development through its longstanding partnership with George Mason University and the Mason Enterprise Center–Herndon, which provides business counseling, technical assistance, and educational resources to local entrepreneurs and small businesses. Together with ongoing business retention and expansion efforts and broader regional partnerships, these initiatives support a resilient and competitive local business environment.

Looking ahead, Herndon's economic outlook remains cautiously positive. Although uncertainty surrounding federal expenditures, commercial office demand, interest rates, and broader economic conditions may affect the pace of future growth, the Town benefits from an established and diverse business community, strong regional connectivity, and opportunities for continued private investment. Ongoing efforts to encourage commercial reinvestment, support existing businesses, and adapt to changing market conditions are expected to help sustain the Town's economic competitiveness and long-term fiscal stability.

Additional information on the Town's activities may be found in the annual report online at www.herndon-va.gov/annualreport .

Long-term Strategic Planning

Herndon's Comprehensive Plan is a long-range planning document that establishes the direction and framework of the Town's future public and private development and investment. The vision

and policies of the Comprehensive Plan guide the decisions of the Town Council and its advisory body, the Town's Planning Commission. The Comprehensive Plan establishes policies regarding the natural and built environment and is the basis for the activities, policies, initiatives, and decisions of the Town, including its six-year Capital Improvement Program.

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, *Herndon 2050*. The project represents a multi-year planning effort that will engage the community, technical specialists, and economic and market experts. The plan will serve as a long-term policy guide for land use, housing, transportation, environmental stewardship, economic development, and municipal services. Key components of the planning effort include the Downtown Small Area Plan, which seeks to strengthen and enhance a walkable, pedestrian-oriented commercial core, and an updated Metro Area Plan designed to maximize the economic and community benefits associated with the Herndon Metrorail Station.

In addition to *Herndon 2050*, the Town recently completed the Town's first Roadway Safety Action Plan. The plan, supported by a federal grant, addresses transportation safety and accessibility for all users, including pedestrians, bicyclists, drivers and transit riders. The town's six-year Capital Improvement Program includes several major infrastructure projects, ranging from water and sewer system investments that support future development to significant transportation improvements.

The Town Council adopted the 2024-2029 Strategic Plan in early 2024, adopting a Vision that: *Herndon is an integrated, sustainable, safe and equitable town built on accessible development and an engaged community*

The Town of Herndon utilizes the strategic planning process to study and endorse broad issues of organizational direction and propose direct tasks that will be implemented in the Town's pursuance of the strategic plan's goals. Through these ongoing strategic planning efforts, the Town of Herndon continually renews its vision and reformulates strategies for realizing the Town's vision on a periodic basis. Specifically, the Plan provides guidance for budget decisions and a framework for action by elected officials, government administration, and our community partners.

Additional information on the Town's strategic plan may be found online at www.herndon-va.gov/strategicplan.

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

There are several significant projects in various stages of review or construction within the Town. Within the metro transit-development area, the 555 Herndon Parkway project is under

construction and includes 399 residential apartments complemented by public and private open spaces, ground-level retail and restaurant space, and supported by structured parking.

Also under construction is the redevelopment project at 13100 and 13150 Worldgate Drive. This project requires demolition of an existing office building and will provide a mix of apartments, condominiums, and townhomes in a highly accessible location near existing retail and commercial services.

The town expects to continue receiving applications for development throughout town. The site at 575 Herndon Parkway received zoning approval for a mixed-use development and significant public improvements, including enhancements to the Metro Gateway Promenade.

In addition, the Town approved Phase 1 of a comprehensive Energy Conservation Project that includes replacement of major facilities systems in several town buildings. The town also continues to complete technology upgrades to ensure the efficiency and security of town operations. In addition to water, sewer and transportation infrastructure projects, the Capital Improvement Plan includes park refurbishments and the. Sugarland North Stream Restoration project, which focuses on enhancing water quality.

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. The course was recently named “Best Municipal Golf Course in Virginia” by mygolfspy.com. 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. The golf course held this designation since 2009.

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 37th 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 and Canada (GFOA) has awarded the Town with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2025. This is the 35th consecutive year that the Town has achieved this honor. 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, 2026, 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, 2025. This was the 51st 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 Department of Finance staff 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.

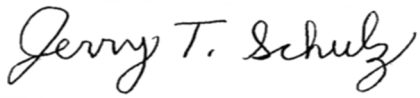
Respectfully submitted,



Kirstyn Jovanovich
Interim Town Manager



Marjorie E. Sloan, CPA
Director of Finance



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, 2025

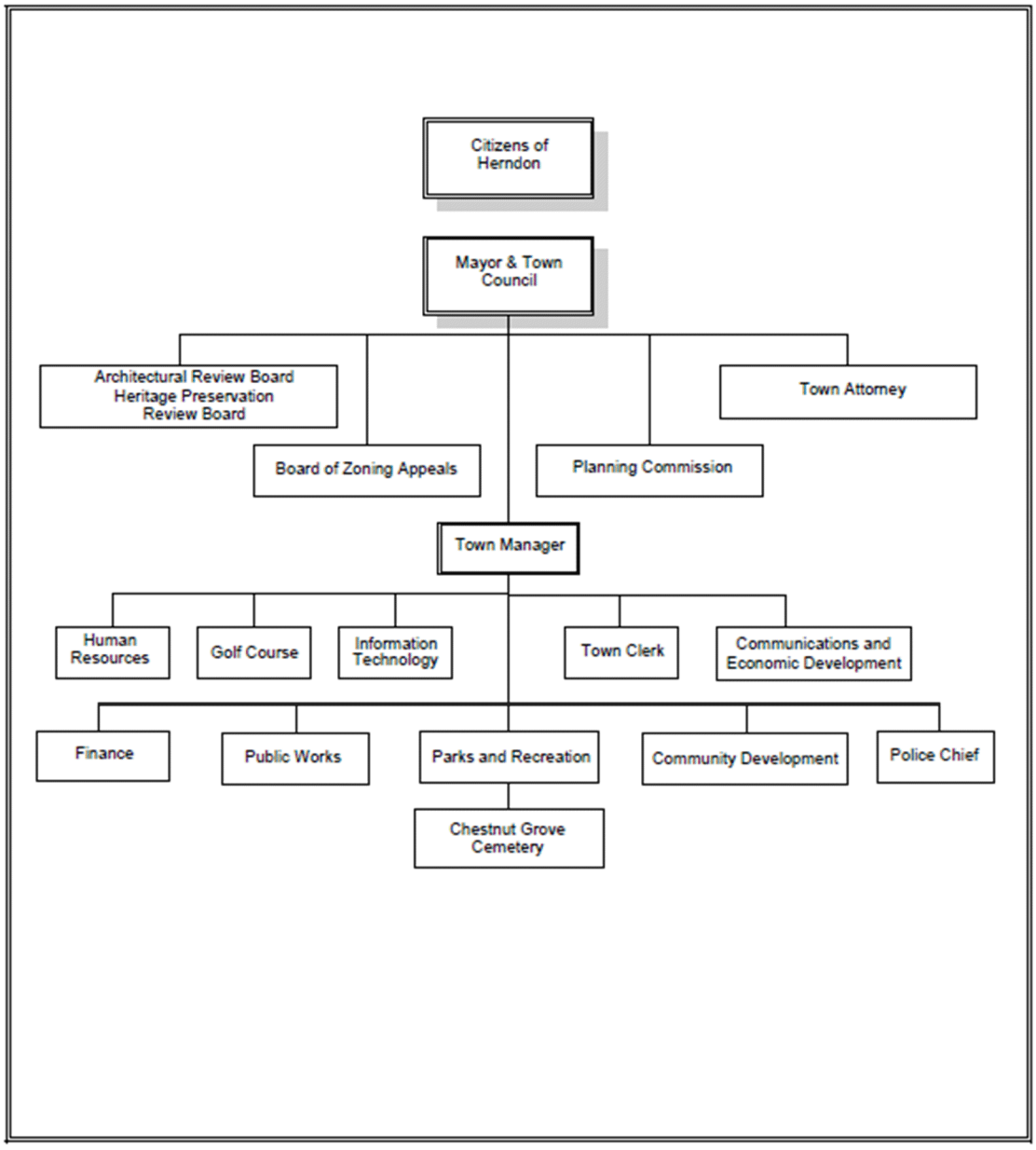


and issued to the public 121 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

TOWN OF HERNDON, VIRGINIA
ORGANIZATION CHART



TOWN OF Herndon VIRGINIA

Annual Comprehensive Financial Report
Year Ended June 30,2026

Directory of Officials

Keven LeBlanc
Mayor

TOWN COUNCIL

Clark Hedrick – Vice Mayor
Naila Alam
Cesar del Aguila
Kelvin Garcia
Michael T. Lloyd
Alex Reyes

MANAGEMENT TEAM

Kirstyn Jovanovich Interim Town Manager	Lesa J. Yeatts Town Attorney

Brent Heavner	Chief Communications Officer
Steve Pihonak	Chief of Police
Mike Mueller	General Manager of Golf
Elizabeth M. Gilleran	Director of Community Development
Rob Mancini	Director of Information Technology
Tanya J. Kendrick	Chief of Staff & Chief Human Resources Officer
Bob Williams	Director of Parks and Recreation
Michael Johnson	Director of Public Works
Marjorie Sloan	Director of Finance
Amanda Kertz	Town Clerk

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

Prepared by the Department of Finance

TOWN OF Herndon VIRGINIA

www.herndon-va.gov

FINANCIAL SECTION

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BROWNEDWARDS
certified public accountants

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, 2026, 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, 2026, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2026, the Town adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

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 the 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 budgetary comparison information 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 other supplementary information is 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, 2025, and we expressed an unmodified opinion on those statements in our report dated October 29, 2025. The 2025 financial information, included in Exhibits A-10 and A-11, 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 October 30, 2026, 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
October 30, 2026

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This Management's Discussion and Analysis (MD&A) provides an objective and comprehensive analysis of the financial activities of the town, for the fiscal year ended June 30, 2026, with comparative information for the fiscal year ended June 30, 2025. This MD&A is presented in accordance with GASB Statement No. 103, Financial Reporting Model Improvements, and is intended to assist readers in understanding the town's financial position, results of operations, and changes in financial position. This discussion should be read in conjunction with the basic financial statements and the accompanying notes which follow this MD&A.

If you have questions about this report or require further information, contact the Finance Department at finance@herndon-va.gov or 703-435-6898.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components - government-wide financial statements, fund financial statements, and notes to 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. These statements present information about the town as a whole using the *economic resources measurement focus and the accrual basis of accounting*. These statements are designed to provide readers with a long-term perspective on the town's finances.

The *Statement of Net Position* presents information on all the town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

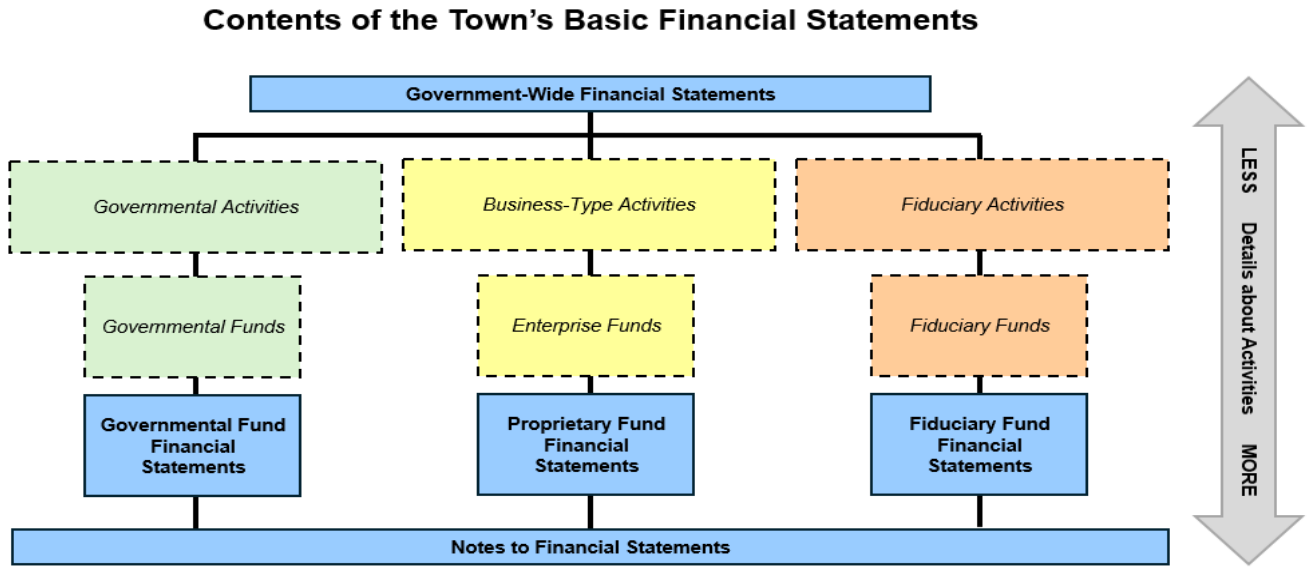
The *Statement of Activities* presents information showing how the town's net position changed during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received or paid *(accrual basis of accounting*). 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). Revenues are reported by source and expenses are reported by function or program.

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 legislature, administration, town attorney, parks and recreation, finance, community development, public safety, and public works. These activities are financed primarily through property taxes, other local taxes, charges for services, and intergovernmental revenues (federal, state, and local grants).

Business-type Activities – Are intended to recover all or a significant portion of their expenditures through charges for services or user fees to customers - water and sewer utility, municipal golf course, and municipal cemetery.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)



The fund financial statements provide more detailed information about the town's major 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 states 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 near-term inflows and outflows of spendable resources using the *current financial resources measurement focus and modified accrual basis of accounting*. This focus shows (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 fund 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 governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on capital outlays. The town's governmental funds include the General Fund, Capital Projects Fund, Stormwater Management Fund, American Rescue Plan Act (ARPA) Fund, and Chestnut Grove Cemetery Perpetual Care Fund.

Proprietary Funds – These funds are reported using the accrual basis of accounting and focus on the determination of operating income, changes in net position, and cash flows. They 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 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 and are not included in the government-wide financial statements. 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 Police Supplemental Retirement Pension Trust Fund is the sole fiduciary fund.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 town uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements. The notes to financial statements can be found in the section titled "Notes to Financial Statements" of this report which immediately follows the basic financial statements.

FINANCIAL SUMMARY AND DETAILED ANALYSES

Analysis of the Town's Finances

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		Total Percentage Change
	2026	2025	2026	2025	2026	2025	2026-2025
Current and other assets	$ 68,051	$ 69,981	$ 31,893	$ 31,317	$ 99,944	$ 101,298	-1.3%
Capital assets, net	111,872	115,114	30,470	26,924	142,342	142,038	0.2%
Total assets	**179,923**	**185,095**	**62,363**	**58,241**	**242,286**	**243,336**	**-0.4%**
Deferred outflows of resources	**5,409**	**4,045**	**678**	**493**	**6,087**	**4,538**	**34.1%**
Other liabilities	11,638	10,674	2,429	2,685	14,067	13,359	5.3%
Long-term liabilities	13,551	14,729	9,036	9,551	22,587	24,280	-7.0%
Total liabilities	**25,189**	**25,403**	**11,465**	**12,236**	**36,654**	**37,639**	**-2.6%**
Deferred inflows of resources	**19,675**	**19,211**	**2,789**	**2,285**	**22,464**	**21,496**	**4.5%**
Net Position:							
Net investment in capital assets	104,293	106,866	21,918	17,427	126,211	124,293	1.5%
Restricted	4,109	3,632	57	89	4,166	3,721	12.0%
Unrestricted	32,065	34,029	26,813	26,696	58,878	60,725	-3.0%
Total net position	**$ 140,467**	**$ 144,527**	**$ 48,788**	**$ 44,212**	**$ 189,255**	**$ 188,739**	**0.3%**

Net position may serve overtime as a useful indicator of the town's financial position. Table 1 above shows that as of June 30, 2026, the town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $189.2 million, representing an increase of $0.5 million from the prior year. This increase is primarily due to increases in net investment in capital assets in business-type activities. About 31 percent of the town's net position is unrestricted ($58.9 million) and available to meet the town's ongoing obligations to citizens and creditors.

FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

The larger net position sub-component, labeled "Net investment in capital assets" ($126.2 million) 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. The following sections of MD&A analyze the finances of the governmental activities and business-type activities separately.

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 year ended June 30 (thousands)

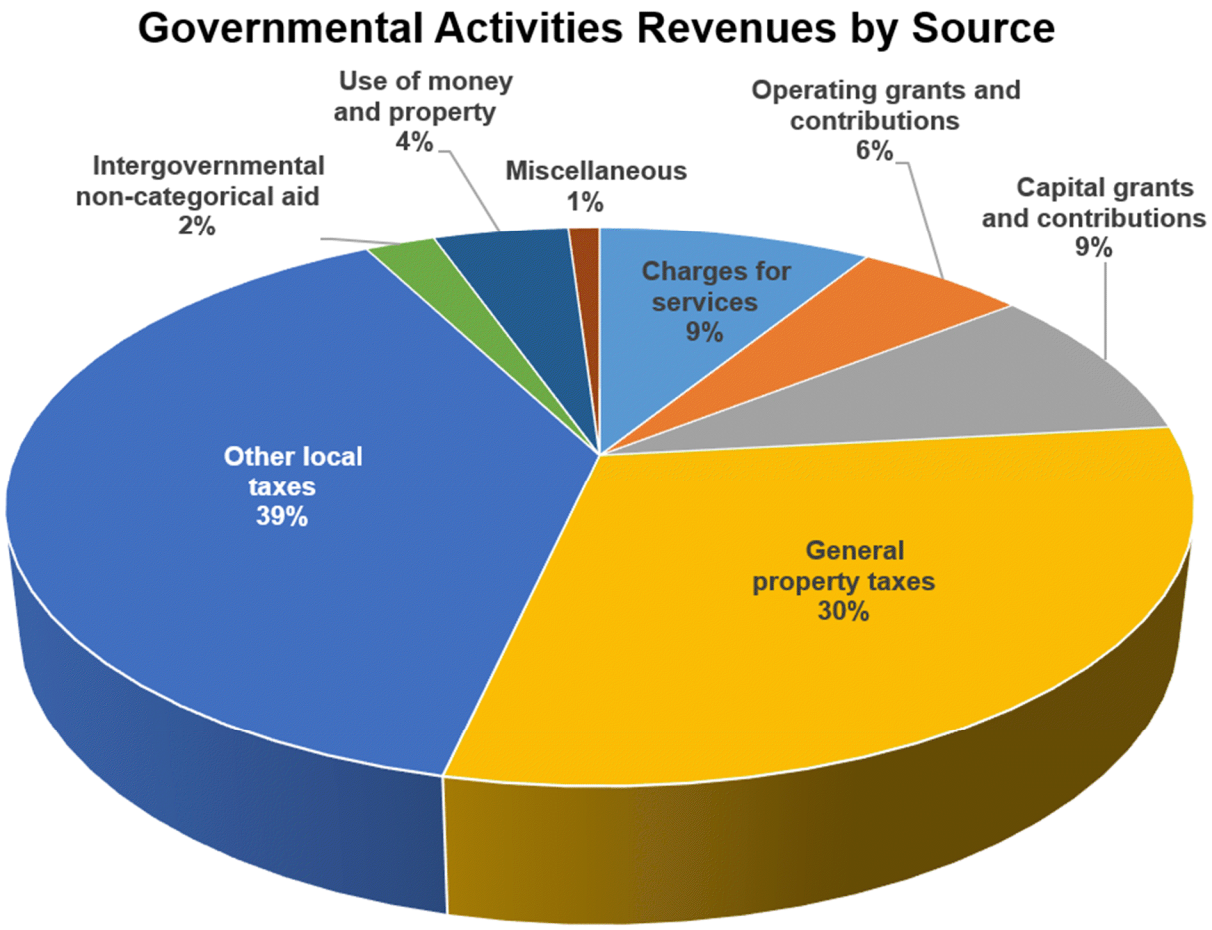
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
Revenues:	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026-2025**
Program revenues:							
Charges for services	$ 4,502	$ 4,246	$ 14,986	$ 14,539	$ 19,488	$ 18,785	3.7%
Operating grants and contributions	2,800	2,393	-	-	2,800	2,393	17.0%
Capital grants and contributions	4,496	9,304	3,979	7,128	8,475	16,432	-48.4%
Total program revenues	11,798	15,943	18,965	21,667	30,763	37,610	-18.2%
General revenues:							
General property taxes	15,307	14,004	-	-	15,307	14,004	9.3%
Other local taxes	19,643	17,813	-	-	19,643	17,813	10.3%
Intergovernmental non-categorical aid	1,151	1,179	75	250	1,226	1,429	-14.2%
Use of money and property	2,227	2,834	1,019	1,018	3,246	3,852	-15.7%
Miscellaneous	515	657	221	210	736	867	-15.1%
Total general revenues	38,843	36,487	1,315	1,478	40,158	37,965	5.8%
Total revenues	**50,641**	**52,430**	**20,280**	**23,145**	**70,921**	**75,575**	**-6.2%**
Expenses:							
General government administration	9,647	9,376	-	-	9,647	9,376	2.9%
Parks and recreation	5,835	5,072	-	-	5,835	5,072	15.0%
Community development	3,226	2,492	-	-	3,226	2,492	29.5%
Public safety	13,306	13,241	-	-	13,306	13,241	0.5%
Public works	22,487	18,694	-	-	22,487	18,694	20.3%
Interest	169	176	-	-	169	176	-4.0%
Water and sewer	-	-	12,553	11,318	12,553	11,318	10.9%
Golf course	-	-	2,360	2,266	2,360	2,266	4.1%
Chestnut Grove cemetery	-	-	822	829	822	829	-0.8%
Total expenses	**54,670**	**49,051**	**15,735**	**14,413**	**70,405**	**63,464**	**10.9%**
Excess (deficiency) before transfers	(4,029)	3,379	4,545	8,732	516	12,111	-95.7%
Transfers	(31)	(15)	31	15	-	-	0.0%
Change in net position	**(4,060)**	**3,364**	**4,576**	**8,747**	**516**	**12,111**	**-95.7%**
Net position, July 1	144,527	141,163	44,212	35,465	188,739	176,628	6.9%
Net position, June 30	**$140,467**	**$144,527**	**$48,788**	**$44,212**	**$189,255**	**$188,739**	**0.3%**

FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

Governmental Activities

Table 2 above shows that town total revenues slightly exceed total expenses in the current fiscal year by $0.5 million, resulting in a small increase in total net position for the town. However, the total net position of governmental activities was $140.5 million which is a $4.1 million decrease from 2025 as expenses and transfers exceeded revenues. Many events contributed to this decrease in governmental activities' net position, however, the three primary factors affecting the change are as follows:

(1) Total program revenues decreased because of declines in ARPA and Capital Projects Fund revenue recognition due to less project spending as the ARPA Fund nears completion.
(2) General revenues increased due to rising real estate values coupled with a tax rate increase, higher local business gross receipts, and an increase in the meals tax rate.
(3) Increases in expenses for all functions and services with the largest increase in Public Works.



FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

Program revenues and intergovernmental capital grant revenues declined

For the current fiscal year ending June 30, 2026, revenues from governmental activities totaled $50.6 million, a decrease of $1.8 million or a three percent decrease from the prior fiscal year. Total program revenues decreased by $4.2 million or 26% and total general revenues increased by $2.4 million or six percent.

The decrease in total program revenues from governmental activities was driven by a $4.8 million or 52% decrease in capital grants and contributions. This decrease is primarily due to decreases in ARPA intergovernmental grant revenues of $5.7 million offset by increases in the Stormwater and Capital Projects Funds of $0.6 million and $0.3 million, compared to the prior year, respectively. During the fiscal year, ARPA intergovernmental revenues were $1.3 million as shown in Exhibit B-2. The ARPA Fund spent less this year compared to last year because most of the ARPA capital projects have been completed, thus, less revenue was recorded. See the "Currently Known Facts" section at the end of this MD&A for more information about the status of ARPA projects.

Slightly offsetting some of the decrease in program revenues, was a $0.2 increase in charges for services, a $0.4 million increase in operating grants and contributions compared to the previous fiscal year. The charges for services revenue stream are comprised of revenues generated by Parks and Recreation and Public Works programs and services whereby each experienced an increase of $0.1 million. Operating grants increased by $0.4 million primarily due to the increase in police grants and contributions.

General revenues increase

Governmental Activities general revenues increased $2.4 million from the prior fiscal year, driven primarily by increases in property taxes and other local taxes.

General property taxes, the town's single largest revenue source, were $15.3 million, which increased $1.3 million from the prior fiscal year due to increased assessed values and an increase in the tax rate. The taxable assessed value of real property within the town, including Public Service Corporations (PSCs), for calendar year 2025 (fiscal year 2026) were $5.8 billion, an increase of 4.6 percent over the prior year's taxable assessed values. Residential property values increased by 6.6 percent, commercial property values increased by 0.6 percent, and PSCs increased by 13.8 percent. The town's real estate tax rate was increased by one penny to $0.270 per $100 of assessed value.

Other local taxes, the town's largest combined revenue source was $19.6 million, which increased $1.8 million from the prior fiscal year. The increase was primarily due to a $1.0 million increase in business license tax and a $0.9 million increase in meals tax revenues from last year. Business license gross receipts for the ten largest businesses in the town increased, which accounted for the increase in business license revenue as these revenues returned to their fiscal year 2024 levels as shown in Statistical Table 5. Most of the meals tax revenue increase is due to the town increasing the meals tax rate 0.75% at the start of the fiscal year to 4.5%. The town's other local tax rates remained unchanged from the prior year.

Use of money and property decreased $0.6 million from the prior fiscal year primarily due to the impact of lower interest rates resulting from Federal Reserve interest rate reductions throughout the fiscal year. The town's investments in Local Government Investment Pool (LGIP) had an average monthly yield of 3.77% as of June 30, 2026, compared to 4.39% as of June 30, 2025.

FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

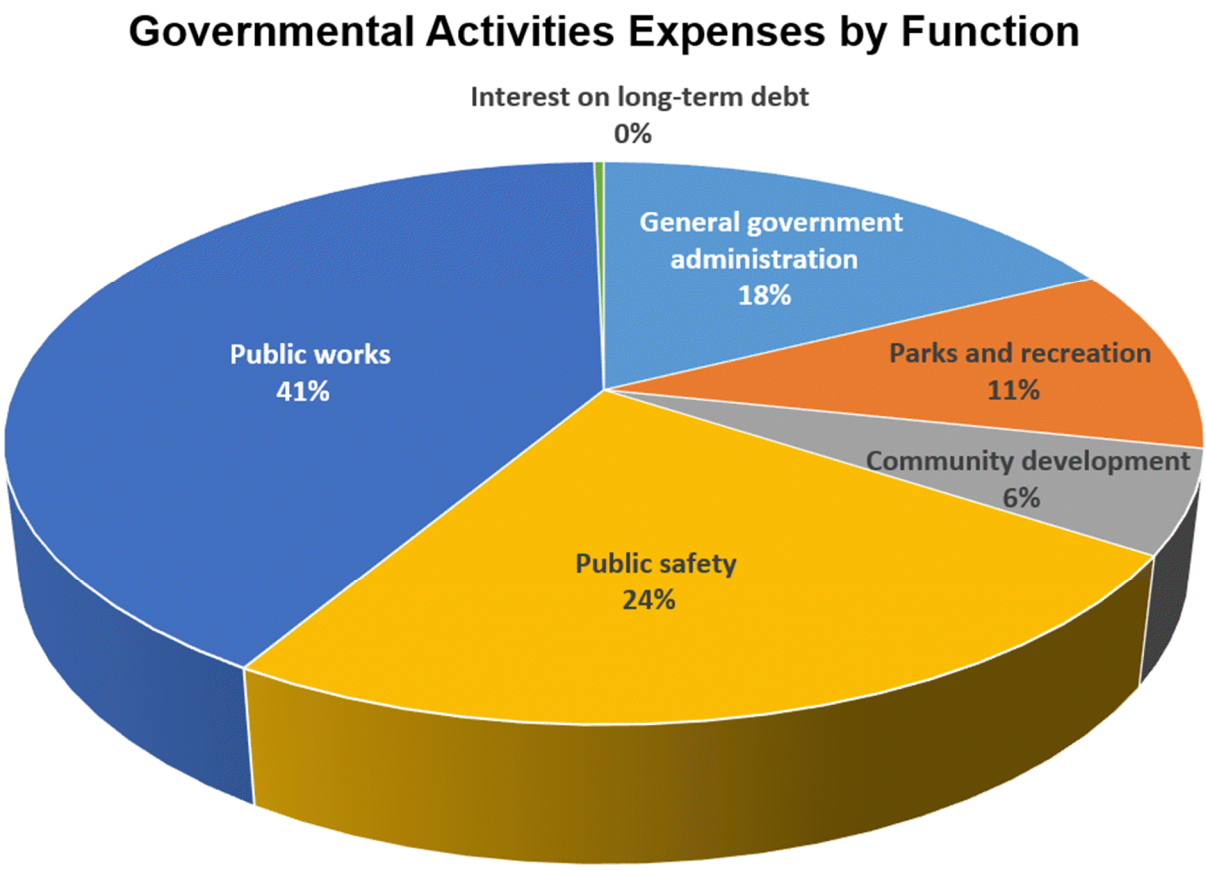
Growth in expenses for all functions and services

For the current fiscal year end, expenses for governmental activities totaled $54.7 million, an increase of $5.6 million or 11 percent from the prior fiscal year. Although expenses increased in all the town's functions, the largest increase, $3.8 million, was in Public Works expenses. Public Works capital outlay expenses increased $3.1 million from the prior year, of which $1.3 million was related to the new energy conservation and facilities renewal project and $1.2 million related to the purchase of fleet vehicles as discussed further in the "Capital Assets" section below.

The town's three largest functions and services, other than general government administration, are public works, public safety, and parks and recreation. These three programs comprise 76 percent of total governmental expenses as seen in the pie chart below.

Expenses related to employee salaries and benefits across all town governmental activity programs increased $2.1 million or 6.8%. This increase was driven by two factors: increased pay rates of approximately five percent for pay for performance and market rate adjustments and increased full-time equivalent (FTE) employment. The town had five more FTEs than the prior year but is still below pre-pandemic levels of fiscal year 2019 as shown in Statistical Table 16.

Also, most functions experienced additional depreciation expense over the prior fiscal year related to new fleet vehicles, equipment, and park improvements. Parks and Recreation had the largest increase, $0.5 million of the total $0.8 million increase over the prior year. See Note 6 Capital Assets for additional details of depreciation expense.



FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

Governmental funds

The town reports two major funds individually in the governmental fund financial statements. Those funds are the General Fund and Capital Projects Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. The town has three non-major governmental funds - the Chestnut Grove Cemetery Perpetual Care Fund, the Stormwater Management Fund, and the ARPA Fund. See Note 1 in the notes to financial statements section for further information on the town's funds.

The following table summarizes the two major funds' total revenues, expenditures, and changes in fund balances (Exhibit A-5) in comparative format:

Table 3
Revenues, Expenditures, and Changes in Fund Balances
Comparison as of June 30 (thousands)

	General Fund		Capital Projects Fund	
	2026	**2025**	**2026**	**2025**
Total revenues	$ 47,124	$ 43,425	$ 628	$ 354
Total expenditures	48,104	44,882	2,690	231
Excess (deficiency) of revenues over expenditures	**(980)**	**(1,457)**	**(2,062)**	**123**
Other Financing Sources (Uses)				
Other debt activity (net)	273	451	-	-
Proceeds from the sale of capital assets	157	323	-	-
Transfers in	-	-	764	-
Transfers out	(764)	-	-	-
Total other finances sources	**(334)**	**774**	**764**	**-**
Net change in fund balance	**(1,314)**	**(683)**	**(1,298)**	**123**
Fund balances, July 1	33,490	34,173	4,038	3,915
Fund balances, June 30	**$ 32,176**	**$ 33,490**	**$ 2,740**	**$ 4,038**

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

General fund

The town's General Fund balance decreased by $1.3 million because expenditures and transfers out exceeded revenues and other financing sources. Expenditures rose by $3.2 million from the prior year, primarily because of inflation and one-time capital outlays, including the replacement of Public Works fleet vehicles and police vehicles. See the "Significant Capital Assets" section below, under "Machinery and Equipment," for additional details. Unlike the prior year, the town also transferred $0.8 million from the General Fund to the Capital Projects Fund to support planned improvements to sidewalks, parks and recreation facilities, and police infrastructure. Despite these planned investments, the General Fund

FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

Unassigned Fund balance of $18.3 million remains healthy as it represents approximately 38 percent of the General Fund's total expenditures, excluding transfers out.

Capital Projects fund

The number of projects with activity in the Capital Projects Fund increased compared to prior year because the funding for capital projects from the ARPA Fund has declined. The fund balance decreased $1.3 million during the year because management has elected to pay a portion of the Energy Conservation and Facility Renewal project on a pay-as-you-go basis. This project is a multi-year project that replaces aging mechanical systems with high-efficiency HVAC units throughout multiple town buildings. Phase 1 includes the Town Shop, Herndon Municipal Center, and Herndon Council Chambers.

Business-type activities and enterprise funds

During the current fiscal year, total net position of the town's business-type activities' increased by $4.6 million to $48.8 million primarily due to the favorable performance at all three business-type activities: Water & Sewer, Golf Course and Chestnut Grove Cemetery. This compares to the prior year $8.7 million increase, which included $6.2 million in unusually high availability fee revenue in the Water & Sewer Fund due to a new large multifamily residential development at 555 Herndon Parkway in the Herndon Transit Oriented Core zoning district. See the proprietary fund financial Statement of Revenues, Expenses and Changes in Net Position in Exhibit A-8 for more details.

The following table summarizes revenues, expenditures, and changes in net position (Exhibit A-8) in comparative format:

Table 4
Revenues, Expenditures, and Changes in Fund Net Position
Comparison as of June 30 (thousands)

	Water & Sewer		Golf		Cemetery	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**
Total operating revenues	$10,919	$16,447	$ 3,173	$ 2,977	$ 1,152	$ 1,543
Total operating expenses	12,249	10,997	2,354	2,258	815	817
Operating income (loss)	**(1,330)**	**5,450**	**819**	**719**	**337**	**726**
Noncapital Subsidies						
Intergovernmental	74	250	-	-	-	-
Transfers in	-	-	-	-	87	100
Transfers out	-	-	-	-	(56)	(84)
Total noncapital subsidies	74	250	-	-	31	16
Operating income (loss) and noncapital	**(1,256)**	**5,700**	**819**	**719**	**368**	**742**
Other Nonoperating Revenues (Expenses)						
Earnings on investments	754	699	114	161	152	158
Interest expense	(304)	(320)	(6)	(9)	(6)	(7)
Resources from disposal of capital assets	2	12	16	8	10	10
Capital contributions	3,736	875	-	-	176	-
Total other nonoperating revenues (expenses)	4,188	1,266	124	160	332	161
Increase (decrease) in fund net position	**2,932**	**6,966**	**943**	**879**	**700**	**903**
Total fund net position, July 1	32,069	25,103	6,654	5,775	5,490	4,587
Total fund net position, June 30	**$35,001**	**$32,069**	**$ 7,597**	**$ 6,654**	**$ 6,190**	**$ 5,490**

FINANCIAL SUMMARY AND DETAILED ANALYSES (Continued)

Among the three enterprise funds, only the Water & Sewer Fund had a negative financial performance from operations in fiscal year 2026. Water & Sewer Fund operating revenues decreased $5.5 million from the prior year because availability fees decreased $6.2 million. Excluding availability fees, operating revenues increased $0.7 million during the fiscal year, which was driven by town water and sewer rate increases. The town increased water rates by 17.4% and sewer rates by 8.0% as recommended by the water and sewer financial rate-model consultants.

Despite these rate increases, the Fund had a $1.3 million operating loss, which was primarily driven by a 33% rate increase in sewer conveyance charges from Fairfax County due to increased costs at the Blue Plains Wastewater Treatment Plant (BPWTP). Last year the sewer conveyance rate charged to the town increased 39%. Thus, over the past two years, DC Water, the operator of BPWTP, has been passing along soaring cost increases to its wholesale end users such as Fairfax County and the town due to several core operational, regulatory, and economic factors. Absent the fiscal year 2026 DC Water 33% sewer rate increase, the town's sewer costs would have been $1.2 million less during the fiscal year.

Offsetting the $1.3 million-dollar operating loss was a $3.7 million one-time capital contribution from the ARPA Fund which caused the net position of the Water & Sewer Fund to increase $2.9 million for this fiscal year. This nonoperating capital contribution funded needed water and sewer line improvements along with water pump station and vault improvements.

The net position of the Golf Fund increased $0.9 million during the fiscal year to $7.6 million, which is consistent with last year's increase. The number of rounds played was 49,578, which represents a 2.5% increase from the previous year as shown in Statistical Table 17. Operating revenues increased $0.2 million while operating expenses and operating income increased $0.1 million each. In addition to increased rounds played, an across-the-board rate increase took effect May 1st, 2026, for green fees, cart fees, and annual passes which contributed to the increase in operating revenues and operating income.

The Cemetery Fund's net position increased by $0.7 million to $6.2 million, compared with a $0.9 million increase in the prior year. Operating revenues and operating income each decreased by $0.4 million because fewer interment rights were sold and fewer interments were performed, as shown in Statistical Table 17. Operating expenses remained consistent with the prior year. The cemetery sold its remaining sites during the fiscal year, and the town expects revenues to decline until the cemetery development project is completed.

All three funds experienced increases in operating expenses related to employee salaries, benefits and general economic inflation of all materials and services used in operating each of these businesses.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING

As of June 30, 2026, the town had invested approximately $142.3 million, an increase of $0.3 million from the prior fiscal year, in a variety of capital assets as reflected in Table 5 below. This amount represents the carrying value of capital assets – original cost minus accumulated depreciation. More detailed information on capital assets can be found in Note 6 of the notes to the financial statements. However, that small increase does not completely capture the substantial amount of capital investment activity that occurred in 2026.

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

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Land	$ 34,909	$ 27,705	$ 2,540	$ 2,540	$ 37,449	$ 30,245
Construction in progress	2,349	12,068	572	2,602	2,921	14,670
Infrastructure	110,148	109,477	-	-	110,148	109,477
Buildings	48,835	48,011	3,969	3,916	52,804	51,927
Improvements other than buildings	20,840	19,530	45,983	39,644	66,823	59,174
Machinery and equipment	18,346	17,123	6,125	5,432	24,471	22,555
Machinery and equipment - Leases	97	96	24	19	121	115
Subscriptions	993	855	-	-	993	855
Intangibles and purchased capacity	587	587	15,370	15,370	15,957	15,957
Furniture and fixtures	1,202	1,071	-	-	1,202	1,071
Accumulated depreciation	(126,434)	(121,409)	(44,113)	(42,599)	(170,547)	(164,008)
Total capital assets, net	**$ 111,872**	**$ 115,114**	**$ 30,470**	**$ 26,924**	**$ 142,342**	**$ 142,038**

The net increase in the town's capital asset investment is attributable to the increase in new investments of $6.8 million exceeding an additional accumulated depreciation of $6.5 million. The town had $14.6 million in its total beginning balance of construction in progress with another $3.7 million in capital projects started during the fiscal year. Of those amounts, the town put $15.4 million into operations during the fiscal year, thus reclassifying that amount to other capital asset classifications such as land, infrastructure, improvements, machinery and equipment. This resulted in a total ending balance of construction in progress of $2.9 million. Many of the completed and ongoing capital projects are a part of the town's adopted six-year Capital Improvement Program (CIP). More detailed information on future capital improvements can be found in the town's CIP on its website.

Total new spending of $3.7 million covered approximately 20 projects, with less than $1 million spent on each project. At fiscal year-end, 16 projects remained in progress, led by the $1.3 million Energy Conservation and Facility Renewal project. Two business-type projects accounted for nearly $0.6 million, including $0.5 million for the Cemetery Fund development project. The Herndon Municipal Center storefront project was the only project remaining in the ARPA Fund and spending was less than fifty thousand dollars. This project is expected to be completed by the end of the calendar year.

Construction on these projects continued into fiscal year 2027 along with significant design and specifications, right-of-way acquisition, and utility relocation efforts on other critical transportation projects with East Elden Street being the largest of these projects.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY (continued)

Land increased by $7.2 million due to the town reclassifying the land cost basis of the downtown redevelopment project parcels from construction in progress to land because this project has been cancelled. See the "Currently Known Facts" section below for further details regarding the downtown redevelopment project.

Improvements other than buildings increased by $7.6 million of which $1.3 million was governmental activities and $6.3 million was business type activities. The above ground fuel storage tanks located at the Town Shop were the town's largest governmental activity project that was placed in service at a cost of $1.2 million. For business type activities, the Water & Sewer Fund had $4.6 million in completed improvement projects, the Golf Fund added $1.5 million from completion of the tee box and stormwater drainage improvement projects, and the Cemetery Fund added $0.2 million related to the cemetery development project.

Machinery and equipment increased by $1.9 million of which $1.2 were governmental activities and $0.7 million were business type activities. The primary increase in governmental activities was from the purchase of four new police vehicles, four new stormwater vehicles, and 28 new public works fleet vehicles. From business activities, the Water & Sewer Fund purchased a new truck and a Vactor truck while the Golf Fund purchased several new vehicles such as mowers, a grinder, a spreader, a riding turf sprayer, and club cars. The Cemetery Fund added a new compact excavator.

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	
	2026	2025	2026	2025	2026	2025
General obligation (GO) bonds	$ 6,138	$ 7,056	$ 6,506	$ 6,840	$ 12,644	$ 13,896
Fairfax Water obligations	-	-	1,469	1,640	1,469	1,640
GO bonds - premiums	100	107	-	-	100	107
Notes payable	-	-	120	180	120	180
Leases	61	81	21	2	82	83
Subscriptions	130	169	-	-	130	169
Total long-term outstanding debt	**$ 6,429**	**$ 7,413**	**$ 8,116**	**$ 8,662**	**$ 14,545**	**$ 16,075**

At the end of fiscal year 2026, the town had $14.5 million in outstanding long-term general obligations bonds, other obligations, and premiums, as reflected in Table 6 above. This represents a decrease of $1.5 million from the prior fiscal year, driven by debt service payments during the normal course of business. The town did not issue any new bonds or refund any of the existing bonds during 2026.

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 ratings 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.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The town is aware of three factors that could significantly affect the town's financial position in the future:

1. Litigation surrounding the downtown redevelopment
2. The current and future status of projects funded by ARPA
3. The pace of other significant land-use development projects and the capital improvement program

Downtown redevelopment litigation

The Herndon Downtown Redevelopment Project, a PPEA partnership between the town and Comstock Herndon Venture LC, ended via notification by Comstock on December 10, 2024. Comstock Herndon Venture LC refused to transfer title to the real estate pursuant to the terms of the contract and the Town filed a petition in Fairfax County Circuit Court to resolve this issue. The court issued an interim ruling on September 24, 2026, in favor of the developer. The town filed an appeal of this ruling to the Virginia Court of Appeals on October 7, 2026.

ARPA funded project status

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 back log items and capital projects that were halted in fiscal years 2020-21 due to the COVID-19 pandemic. All project funds were fully obligated by the federal deadline of December 31, 2024. The town completed spending of $1.3 million in fiscal year 2026 and $25.2 million to-date. All remaining spending is expected to be completed by the federal deadline of December 31, 2026. After this date, future capital projects will have to be funded by town funds, other grants, and general obligation bonds.

The pace of land-use development projects and capital improvement programs

There are several significant land-use projects in various stages of review. These projects will provide over 2,000 residential units, and over 25,000SF of retail and other commercial space in town. Additional mixed-use development applications are expected in 2027, continuing a phase of rapid development and population growth for the town.

The Herndon Town Council adopted a Capital Improvement Program in April 2026 which includes transportation and infrastructure project spending anticipated for 2027 – 2032. Most of the transportation projects included in the Program are expected to be funded with regional, state and federal grant funding. In 2026 the town embarked on Phase 1 of the town-wide Energy Conservation and Facility Renewal project. Phase 1 of this multi-year initiative has been approved for a total of $8.0 million.

Factors used to develop next year's budget

The total adopted fiscal year 2027 budget (all funds), including inter-fund transfers, is $99.8 million which is about 4.3 percent higher than the original budget for fiscal year 2026. This $4.1 million increase is the result of additions to governmental funds of $4.8 million and a decrease to proprietary funds of $0.7 million. The town's real estate tax rate remained the same at $0.270 per $100 of assessed value.

The meals tax rate remained the same at 4.5%, and the solid waste fee was updated to include a two-rate structure: residential rate of $30 per quarter, and multi-family rate or the units of five specific properties of $51 per quarter. All other excise taxes and fees town-wide remain unchanged from fiscal year 2026.

Due to soaring sewer 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 2027 budget as recommended by the town's financial consultants.

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BASIC FINANCIAL STATEMENTS

TOWN OF HERNDON, VIRGINIA

Exhibit A-1

STATEMENT OF NET POSITION
June 30, 2026

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents, and investments (Note 2)	$ 39,309,053	$ 26,513,330	$ 65,822,383
Receivables, net:			
Property taxes (Note 3)	15,823,689	-	15,823,689
Trade and other accounts (Note 3)	1,177,606	2,861,082	4,038,688
Accrued interest	3,518	6,919	10,437
Due from other governments (Note 3)	5,069,980	-	5,069,980
Inventories	216,118	55,237	271,355
Prepaid costs	30,860	-	30,860
Cash, cash equivalents, and investments - restricted (Note 2)	5,959,521	-	5,959,521
Leases receivable (Note 4)	48,984	2,407,677	2,456,661
Net pension asset (Note 9)	411,455	48,539	459,994
Capital assets: (Note 6)			
Nondepreciable	37,257,538	3,112,527	40,370,065
Depreciable, net	74,614,320	27,357,743	101,972,063
Total assets	179,922,642	62,363,054	242,285,696
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 9)	5,028,023	620,430	5,648,453
Deferred outflows related to other postemployment benefits (Notes 11,12, and 13)	380,974	57,873	438,847
Total deferred outflows of resources	5,408,997	678,303	6,087,300
LIABILITIES			
Accounts payable	2,781,297	1,869,896	4,651,193
Accrued payroll	711,685	213,442	925,127
Accrued liabilities - other	1,785,679	87,822	1,873,501
Accrued interest	67,451	-	67,451
Unearned revenue (Note 7)	4,576,693	31,960	4,608,653
Customer deposits	1,714,757	225,640	1,940,397
Noncurrent liabilities:			
Due within one year (Note 8)	2,560,480	786,121	3,346,601
Net other postemployment benefit liability due within one year (Note 11)	160,232	18,071	178,303
Due in more than one year (Note 8)	6,986,126	7,794,547	14,780,673
Net other postemployment benefit liability (Notes 11, 12, and 13)	3,844,341	437,460	4,281,801
Total liabilities	25,188,741	11,464,959	36,653,700
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 9)	3,321,006	391,772	3,712,778
Deferred inflows related to other postemployment benefits (Notes 11, 12, and 13)	534,147	90,060	624,207
Lease-related deferred inflows	46,028	2,306,706	2,352,734
Property taxes (Note 7)	15,774,305	-	15,774,305
Total deferred inflows of resources	19,675,486	2,788,538	22,464,024
NET POSITION			
Net investment in capital assets	104,293,530	21,917,546	126,211,076
Restricted:			
Lateral program	-	8,349	8,349
Cemetery Perpetual Care Fund - expendable	2,195,975	-	2,195,975
Stormwater	1,501,672		1,501,672
Pensions	411,455	48,539	459,994
Unrestricted	32,064,780	26,813,426	58,878,206
Total net position	**$ 140,467,412**	**$ 48,787,860**	**$ 189,255,272**

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, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Totals
Governmental activities:							
Legislative	$ 595,926	$ -	$ -	$ -	$ (595,926)		$ (595,926)
Administration	5,656,213	2,389	-	-	(5,653,824)		(5,653,824)
Town attorney	1,269,448	-	-	-	(1,269,448)		(1,269,448)
Parks and recreation	5,834,757	2,320,251	-	-	(3,514,506)		(3,514,506)
Finance	2,125,056	-	-	-	(2,125,056)		(2,125,056)
Community development	3,225,552	-	40,000	-	(3,185,552)		(3,185,552)
Police	13,305,857	415,620	1,233,170	-	(11,657,067)		(11,657,067)
Public works	22,487,469	1,763,423	1,527,383	4,496,322	(14,700,341)		(14,700,341)
Interest	169,498	-	-	-	(169,498)		(169,498)
Total governmental activities	54,669,776	4,501,683	2,800,553	4,496,322	(42,871,218)		(42,871,218)
Business-type activities:							
Water and sewer	12,553,413	10,826,821	-	3,803,405		$ 2,076,813	2,076,813
Golf course	2,360,259	3,084,603	-	-		724,344	724,344
Chestnut Grove cemetery	821,445	1,073,974	-	175,851		428,380	428,380
Total business-type activities	15,735,117	14,985,398	-	3,979,256		3,229,537	3,229,537
Total government	$ 70,404,893	$ 19,487,081	$ 2,800,553	$ 8,475,578	(42,871,218)	3,229,537	(39,641,681)
General Revenues:							
Taxes:							
General property					15,306,704	-	15,306,704
Business licenses					6,913,491	-	6,913,491
Transient occupancy					2,166,598	-	2,166,598
Meals					5,434,680	-	5,434,680
Local sales					2,930,443	-	2,930,443
Consumer utility					841,939	-	841,939
Bank stock tax					663,274	-	663,274
Motor vehicle licenses					474,931	-	474,931
Other local taxes					217,956	-	217,956
Revenues not restricted to specific programs					79,686	-	79,686
Intergovernmental, non-categorical aid					1,150,716	74,580	1,225,296
Use of money and property					2,227,112	1,019,457	3,246,569
Gain on sale of capital assets					156,815	28,813	185,628
Miscellaneous income					278,122	192,194	470,316
Transfers					(30,564)	30,564	-
Total general revenues and transfers					38,811,903	1,345,608	40,157,511
Change in net position					(4,059,315)	4,575,145	515,830
Net position, July 1					144,526,727	44,212,715	188,739,442
Net position, June 30					**$ 140,467,412**	**$ 48,787,860**	**$ 189,255,272**

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2026

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	$ 35,606,137	$ 3,702,916	$ -	$ 39,309,053
Receivables (net of allowance for doubtful accounts):				
Property taxes	15,823,689	-	-	15,823,689
Trade and other accounts	1,176,094	-	1,512	1,177,606
Leases	48,984	-	-	48,984
Accrued interest	3,518	-	-	3,518
Due from other governments	805,097	4,184,874	80,009	5,069,980
Inventories	210,722	-	5,396	216,118
Prepaid costs	30,860	-	-	30,860
Cash, cash equivalents, and investments - restricted	-	-	5,959,521	5,959,521
Total assets	**$ 53,705,101**	**$ 7,887,790**	**$ 6,046,438**	**$ 67,639,329**

(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2026

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,726,581	$ 851,369	$ 203,347	$ 2,781,297
Accrued payroll	691,856	-	19,829	711,685
Accrued liabilities - other	1,266,300	519,379	-	1,785,679
Accrued Interest - leases and subscription arrangements	7,217	-	-	7,217
Unearned revenue	118,361	3,776,691	681,641	4,576,693
Customer deposits	1,714,757	-	-	1,714,757
Total liabilities	5,525,072	5,147,439	904,817	11,577,328
Deferred inflows of resources:				
Unavailable revenue - property taxes	15,908,623	-	-	15,908,623
Unavailable revenue - other	49,172	-	-	49,172
Lease related deferred inflows	46,028	-	-	46,028
Total deferred inflows of resources	16,003,823	-	-	16,003,823
Fund Balances:				
Nonspendable:				
Inventories	210,722	-	5,396	216,118
Prepaid costs	30,860	-	-	30,860
Restricted:				
Cemetery perpetual care	-	-	2,195,975	2,195,975
Stormwater	-	-	1,496,276	1,496,276
Assigned:				
Revenue stabilization	2,200,000	-	-	2,200,000
Operating and capital costs	2,319,718	2,128,555	871,288	5,319,561
Capital reserve	6,874,000	-	-	6,874,000
Contingency reserve	1,200,000	-	-	1,200,000
e-Summons	63,941	-	-	63,941
Subsequent years' expenditures for:				
General Fund	972,550	-	-	972,550
Capital Projects Fund	-	611,796	-	611,796
ARPA Fund	-	-	572,686	572,686
Unassigned:				
General Fund	18,304,415	-	-	18,304,415
Total fund balances	32,176,206	2,740,351	5,141,621	40,058,178
Total liabilities, deferred inflows of resources, and fund balances	**$ 53,705,101**	**$ 7,887,790**	**$ 6,046,438**	**$ 67,639,329**

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, 2026

Total fund balances - governmental funds		$ 40,058,178
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.		111,871,858
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		183,490
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	$ 5,028,023	
Other postemployment benefits	380,974	
		5,408,997
Deferred inflows related to:		
Pensions	(3,321,006)	
Other postemployment benefits	(534,147)	
		(3,855,153)
Net pension asset		411,455
Net other post employment benefits liability		(4,004,573)
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	(6,429,325)	
Compensated absences	(3,117,281)	
Interest payable	(60,234)	
		(9,606,840)
Net position of governmental activities		**$ 140,467,412**

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

TOWN OF HERNDON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2026

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	$ 15,324,248	$ -	$ -	$ 15,324,248
Other local taxes	19,837,346	-	-	19,837,346
Permits, privilege fees, and regulatory licenses	1,188,594	-	7,490	1,196,084
Fines and forfeitures	438,033	-	-	438,033
Use of money and property	1,802,395	183,959	240,758	2,227,112
Charges for services	2,954,742	-	-	2,954,742
Miscellaneous	107,003	35,742	-	142,745
Intergovernmental	5,471,162	408,184	2,560,755	8,440,101
Total revenues	47,123,523	627,885	2,809,003	50,560,411
Expenditures:				
Current:				
Legislative	571,382	-	-	571,382
Administration	5,380,564	-	-	5,380,564
Town attorney	1,302,403	-	-	1,302,403
Parks and recreation	5,135,579	-	636	5,136,215
Finance	2,178,583	-	-	2,178,583
Community development	3,348,040	-	-	3,348,040
Police	13,371,010	-	-	13,371,010
Public works	15,452,154	-	1,348,571	16,800,725
Grants	59,055	-	-	59,055
Non-departmental	(41,728)	-		(41,728)
Capital outlay	-	2,689,760	2,083,292	4,773,052
Debt service:				
Principal	1,163,067	-	-	1,163,067
Interest and fiscal charges	183,850	-	-	183,850
Total expenditures	48,103,959	2,689,760	3,432,499	54,226,218
Excess (deficiency) of revenues over (under) expenditures	(980,436)	(2,061,875)	(623,496)	(3,665,807)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2026

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses):				
Proceeds from sale of capital assets	$ 156,815	$ -	$ -	$ 156,815
Issuance of leases and subscription arrangements	138,071	-	-	138,071
Insurance recoveries	135,377	-	-	135,377
Transfers in	-	763,816	56,468	820,284
Transfers out	(763,816)	-	(87,032)	(850,848)
Total other financing sources (uses), net	(333,553)	763,816	(30,564)	399,699
Net change in fund balances	(1,313,989)	(1,298,059)	(654,060)	(3,266,108)
Fund balances, July 1	33,490,195	4,038,410	5,795,681	43,324,286
Fund balances, June 30	**$ 32,176,206**	**$ 2,740,351**	**$ 5,141,621**	**$ 40,058,178**

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, 2026

Net change in fund balances - total governmental funds		$ (3,266,108)
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	$ 6,161,110	
Less: depreciation and amortization expense	(5,604,092)	
Excess of capital outlay over depreciation and amortization		557,018
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and transfers) is to decrease net position:		
Book value of capital assets disposed and transferred		(3,847,685)
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		(211,578)
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		(138,071)
Principal repayments		1,163,067
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		1,849,165
Pension expense		(415,041)
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		139,956
Other postemployment benefit expense		138,000
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	6,693	
Compensated absences	(42,390)	
Amortization of premiums and discounts	7,659	(28,038)
Change in net position of governmental activities		**$ (4,059,315)**

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

TOWN OF HERNDON, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2026

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
ASSETS				
Current Assets:				
Cash, cash equivalents, and investments	$ 18,773,572	$ 3,486,423	$ 4,253,335	$ 26,513,330
Receivables (net of allowance for doubtful accounts):	2,857,232	3,850	-	2,861,082
Accrued interest	6,460	459	-	6,919
Inventories	10,222	45,015	-	55,237
Leases receivable - current portion	262,593	30,732	-	293,325
Total current assets	21,910,079	3,566,479	4,253,335	29,729,893
Noncurrent Assets:				
Leases receivable	2,032,548	81,804	-	2,114,352
Net pension asset	28,828	13,495	6,216	48,539
Capital assets:				
Land	200,000	1,621,574	718,500	2,540,074
Buildings	-	2,627,934	1,340,694	3,968,628
Improvements other than buildings	39,385,009	4,766,020	1,832,090	45,983,119
Machinery and equipment	3,812,340	2,043,757	268,560	6,124,657
Machinery and equipment - leases	23,758	-	-	23,758
Intangibles	15,370,173	-	-	15,370,173
Construction in progress	73,833	-	498,620	572,453
Less: accumulated depreciation and amortization	(35,751,462)	(6,198,804)	(2,162,326)	(44,112,592)
Total capital assets (net of accumulated depreciation and amortization)	23,113,651	4,860,481	2,496,138	30,470,270
Total noncurrent assets	25,175,027	4,955,780	2,502,354	32,633,161
Total assets	47,085,106	8,522,259	6,755,689	62,363,054
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	376,189	169,309	74,932	620,430
OPEB-related deferred outflows	36,771	16,623	4,479	57,873
Total deferred outflows of resources	412,960	185,932	79,411	678,303

(Continued)

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

TOWN OF HERNDON, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2026

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 1,797,660	$ 39,946	$ 32,290	$ 1,869,896
Accrued payroll	121,862	67,719	23,861	213,442
Accrued liabilities - other	78,133	6,671	3,018	87,822
Due to other governments	181,624	-	-	181,624
Unearned revenue	-	31,960	-	31,960
Compensated absences	128,557	71,432	14,765	214,754
Customer deposits	225,090	550	-	225,640
Current obligations payable	154,552	110,175	125,016	389,743
Total current liabilities	2,687,478	328,453	198,950	3,214,881
Noncurrent Liabilities:				
Compensated absences	138,261	100,769	10,175	249,205
Due to other governments	1,287,055	-	-	1,287,055
Net other post employment benefit liability	225,904	209,791	19,836	455,531
Long-term obligations payable, net	5,691,829	205,051	361,407	6,258,287
Total noncurrent liabilities	7,343,049	515,611	391,418	8,250,078
Total liabilities	10,030,527	844,064	590,368	11,464,959
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	232,683	108,920	50,169	391,772
OPEB-related deferred inflows	36,683	48,214	5,163	90,060
Lease related deferred inflows	2,197,418	109,288	-	2,306,706
Total deferred inflows of resources	2,466,784	266,422	55,332	2,788,538
NET POSITION				
Net Position:				
Net investment in capital assets	15,414,893	4,522,562	1,980,091	21,917,546
Restricted, lateral program	8,349	-	-	8,349
Restricted, pension	28,828	13,495	6,216	48,539
Unrestricted	19,548,685	3,061,648	4,203,093	26,813,426
Total net position	$ 35,000,755	$ 7,597,705	$ 6,189,400	$ 48,787,860

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-8
Page 1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2026

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Operating revenues:				
Sale of water	$ 4,455,574	$ -	$ -	$ 4,455,574
Sewer service charges	5,864,240	-	-	5,864,240
Late payment charges	105,527	-	-	105,527
Sale of commodities	6,433	-	-	6,433
Rents and leases	395,047	44,500	-	439,547
Greens fees	-	2,311,631	-	2,311,631
Golf cart revenue	-	394,900	-	394,900
Golf pro shop sales	-	136,803	-	136,803
Driving range fees	-	210,044	-	210,044
Cemetery sites	-	-	564,676	564,676
Interment services	-	-	292,100	292,100
Merchandise sales	-	-	217,198	217,198
Miscellaneous	21,394	75,414	61,344	158,152
Availability fees	67,306	-	-	67,306
Insurance recoveries	3,638	-	17,129	20,767
Total operating revenues	10,919,159	3,173,292	1,152,447	15,244,898
Operating expenses:				
Finance	417,177	-	-	417,177
Water services	3,111,386	-	-	3,111,386
Sewer services	6,457,262	-	-	6,457,262
Contractual services	781,844	61,493	35,139	878,476
Golf course operations	-	933,554	-	933,554
Golf course clubhouse	-	1,012,345	-	1,012,345
Cemetery operations	-	-	707,881	707,881
Nondepartmental:				
Depreciation and amortization	1,429,557	308,830	64,032	1,802,419
Miscellaneous	52,163	37,747	8,473	98,383
Total operating expenses	12,249,389	2,353,969	815,525	15,418,883
Operating income (loss)	(1,330,230)	819,323	336,922	(173,985)

(Continued)

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

TOWN OF HERNDON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2026

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Noncapital subsidies:				
Intergovernmental	74,580	-	-	74,580
Transfers in	-	-	87,032	87,032
Transfers out	-	-	(56,468)	(56,468)
Total noncapital subsidies:	74,580	-	30,564	105,144
Operating Income (Loss) and noncapital subsidies:	(1,255,650)	819,323	367,486	(68,841)
Other nonoperating revenues (expenses):				
Investment earnings, net	753,702	113,961	151,794	1,019,457
Interest expense	(304,024)	(6,290)	(5,920)	(316,234)
Capital contributions	3,736,099	-	175,851	3,911,950
Gain on disposal of capital assets	1,994	16,475	10,344	28,813
Total other nonoperating revenues, net	4,187,771	124,146	332,069	4,643,986
Increase in fund net position	2,932,121	943,469	699,555	4,575,145
Total net position, July 1	32,068,634	6,654,236	5,489,845	44,212,715
Total net position, June 30	**$ 35,000,755**	**$ 7,597,705**	**$ 6,189,400**	**$ 48,787,860**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-9
Page 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2026

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Operating Activities:				
Receipts from customers	$ 10,895,212	$ 3,173,162	$ 1,152,447	$ 15,220,821
Payments to suppliers for goods and services	(8,010,648)	(785,373)	(277,560)	(9,073,581)
Payments to employees for services	(2,700,146)	(1,309,168)	(476,613)	(4,485,927)
Net cash provided by operating activities	184,418	1,078,621	398,274	1,661,313
Noncapital Financing Activities:				
Transfers in from other funds	-	-	87,032	87,032
Transfers out to other funds	-	-	(56,468)	(56,468)
Other receipts	74,580	-	-	74,580
Net cash provided by noncapital financing activities	74,580	-	30,564	105,144
Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(871,414)	(802,703)	(179,722)	(1,853,839)
Proceeds from the sale of capital assets	647	19,541	10,344	30,532
Principal paid on bonds and leases	(125,815)	(113,905)	(134,310)	(374,030)
Principal paid to Fairfax Water	(171,360)	-	-	(171,360)
Interest paid on bonds and leases	(306,743)	(6,523)	(7,679)	(320,945)
Net cash used in capital and related financing activities	(1,474,685)	(903,590)	(311,367)	(2,689,642)
Investing Activities:				
Interest received on investment securities	753,702	113,961	151,794	1,019,457
Net cash provided by investing activities	753,702	113,961	151,794	1,019,457
Net increase (decrease) in cash, cash equivalents, and investments	(461,985)	288,992	269,265	96,272
Cash, Cash Equivalents, and Investments:				
Beginning	19,235,557	3,197,431	3,984,070	26,417,058
Ending	**$ 18,773,572**	**$ 3,486,423**	**$ 4,253,335**	**$ 26,513,330**

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

TOWN OF HERNDON, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2026

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (1,330,230)	$ 819,323	$ 336,922	$ (173,985)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,429,557	308,830	64,032	1,802,419
Pension expense net of employer contributions	(120,103)	(47,614)	(21,011)	(188,728)
Other postemployment benefit expense net of employer contributions	8,925	(8,312)	(4,386)	(3,773)
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(261,903)	(3,850)	-	(265,753)
Due from other governments	250,000	-	-	250,000
Lease receivables	(489,973)	32,234	-	(457,739)
Inventories	39,737	3,147	-	42,884
Increase (decrease) in:				
Accounts payable, accrued liabilities, and compensated absences	180,478	3,377	22,717	206,572
Unearned revenue	-	2,711	-	2,711
Leases related deferred inflows	474,684	(31,225)	-	443,459
Deposits	3,246	-	-	3,246
Net cash provided by operating activities	**$ 184,418**	**$ 1,078,621**	**$ 398,274**	**$ 1,661,313**
Schedule of Non-cash Capital and Related Financing Activities:				
Capital assets acquired through accounts payable	**$ 383,698**	**$ 22,693**	**$ 29,624**	**$ 436,015**
Capital contributions	**$ 3,736,099**	**$ -**	**$ 175,851**	**$ 3,911,950**
Acquisition of right-to-use asset through lease	**$ 23,758**	**$ -**	**$ -**	**$ 23,758**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2026
(With Comparative Amounts for 2025)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2026	**2025**
ASSETS		
Money Market (Note 2)	$ 28,383	$ 17,703
Mutual funds (Note 2)	5,145,682	4,421,862
Total assets	5,174,065	4,439,565
NET POSITION		
Restricted:		
Net position restricted for pensions	**$ 5,174,065**	**$ 4,439,565**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-11

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2026
(With Comparative Amounts for 2025)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2026	**2025**
Additions:		
Employer contributions	$ 231,903	$ 226,142
Investment income:		
Net increase in the fair value of investments	835,510	553,547
Total additions, net	1,067,413	779,689
Deductions:		
Benefit payments	332,913	402,661
Change in net position	734,500	377,028
Net position, July 1	4,439,565	4,062,537
Net position, June 30	**$ 5,174,065**	**$ 4,439,565**

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

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*.

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 *noncapital subsidies*, and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided.

A *subsidy* represents amounts received from or provided to another party or fund of the Town. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and 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.

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 *Chestnut Grove Cemetery Perpetual Care Fund, Stormwater Management Fund* and the *American Rescue Plan Act Fund* are used to account for specific revenues that are legally committed by legislative imposition by the Herndon Town Council to expenditure for particular purposes. They are reported as special revenue funds.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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 and up to $200,000 must be submitted to the Town manager for review and approval, while requirements exceeding $200,000 must be submitted to the Town manager for review and to the Town council for final approval. The town manager is authorized to approve the transfer/reallocation/redistribution of governmental and enterprise fund 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 $200,000 and multiple transfers to the same account cannot exceed a total of $200,000. Requirements in excess of $200,000 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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

During the year ended June 30, 2026, budget revisions to the general fund were made, which resulted in an approximate $6,900,000 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.

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."

Note 1. Summary of Significant Accounting Policies (Continued)

G. Receivables and Payables (Continued)

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

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

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

The town levies real estate taxes, as of January 1, on all real property in the Town on a calendar year basis at a rate enacted by Town Council. The levies are based on the assessed value of property as determined by the Director of Real Estate Assessments of Fairfax County. All property is assessed at 100 percent of appraised value and reassessed each year as of January 1. Real estate taxes are collected in equal installments due July 28 and December 5. Lien dates are 190 days after the due date. The tax rate during 2026 per $100 of assessed value was $.270. 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 2026 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, 2026; however, these resources will not be available to the Town until fiscal year 2027.

The town did not assess personal property taxes during fiscal year 2026.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 and Stormwater Management Fund.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows and Inflows of Resources (Continued)

- 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

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

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

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. Compensatory time is accrued for any time over 40 hours in lieu of overtime and is eligible for full-time employees. At termination, 100% of the balance is paid out to non-exempt sworn employees. Accrued compensatory time cannot exceed 120 hours at any point throughout the year and any excess hours are either paid out or lapsed.

Compensated absences are accrued when earned 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.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Long-Term Obligations

In the government-wide financial statements, 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balance (Continued)

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

The Town Council 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.

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, 2026, include $972,550 in the general fund and $611,796 in the general capital project fund and $572,686 in the ARPA fund.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

S. Change in Accounting Principle

During fiscal year 2026, the Town adopted GASB Statement No. 103, *Financial Reporting Model Improvements.* This new standard redefined operating and nonoperating revenues and expenses, definitions of which are included in Note 1, letter B. As a result, certain prior year amounts have been reclassified with the current year presentation.

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.

Note 2. Deposits and Investments (Continued)

Deposits

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

Custodial Credit Risk

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

Investments

Investment Policy:

The State Treasurer's Local Government Investment Pool (LGIP) 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.

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Investment Policy: (Continued)

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

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

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

Interest Rate Risk:

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

As of June 30, 2026, the Town's investments consisted of the following:

Type	Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	$ 68,683,555	AAA	0.22
Money Market	28,383	N/A	N/A
Mutual Funds	5,145,682	Various	N/A
Total investments	**$ 73,857,620**		

* - Average Maturity in Years

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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, 2026, the portion of the Town's portfolio that exceed 5% of the total portfolio are as follows:

LGIP	100%

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, 2026:

	Level 1	Level 2	Level 3	Total
Mutual funds – Police Retirement Plan:				
Cohen + Steers Instl Realty Shares	$ 82,492	$ -	$ -	$ 82,492
DFA Emerging Markets Core Equity I	102,342	-	-	102,342
DFA International Core Equity I	170,482	-	-	170,482
DFA US Core Equity 2 I	296,869	-	-	296,869
Fidelity Advisor Total Bond Z	111,295	-	-	111,295
Fidelity Mid Cap	21,485	-	-	21,485
Fidelity Large Cap	45,985	-	-	45,985
Fidelity 500 Index	284,005	-	-	284,005
Fidelity US Bond Index	7,030	-	-	7,030
Great Gray CIT III Met Life 25554 CL J	42,944	-	-	42,944
Vanguard Target Retirement 2055 Fund	218,343	-	-	218,343
Vanguard Target Retirement 2050 Fund	281,764	-	-	281,764
Vanguard Target Retirement 2040 Fund	1,161,935	-	-	1,161,935
Vanguard REIT Index Adm	5,188	-	-	5,188
Vanguard Target Retirement 2065 Fund	53,027	-	-	53,027
Vanguard Target Retirement 2030 Fund	5,641	-	-	5,641
Vanguard Target Retirement Income Fund	2,958	-	-	2,958
Vanguard Target Retirement 2045 Fund	612,796	-	-	612,796
Vanguard Target Retirement 2035 Fund	948,282	-	-	948,282
Vanguard Target Retirement 2060 Fund	169,536	-	-	169,536
Vanguard Target Retirement 2025 Fund	509,753	-	-	509,753
Vanguard Target Retirement 2020 Fund	11,530	-	-	11,530
	$ 5,145,682	**$ -**	**$ -**	**$ 5,145,682**

(Continued)

Note 2. Deposits and Investments (Continued)

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	$ 3,098,349
Investments	68,683,555
Investments held in trust	5,174,065
	$ 76,955,969
Statement of Net Position:	
Cash and investments	$ 65,822,383
Cash and investments – restricted	5,959,521
Fiduciary fund cash and investments	5,174,065
	$ 76,955,969

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, Stormwater Management Fund, and American Rescue Plan Act Fund.

Note 3. Receivables and Due from Other Governments

Receivables are as follows:

	Governmental Activities	Business - Type Activities	Total
Receivables:			
Property tax	$ 15,831,123	$ -	$ 15,831,123
Meal tax	862,011	-	862,011
Transient occupancy tax	234,087	-	234,087
Trade and other accounts	410,329	2,873,999	3,284,328
Gross receivables	17,337,550	2,873,999	20,211,549
Less: allowance for uncollectible	(336,255)	(12,917)	(349,172)
Receivables, net	**$ 17,001,295**	**$ 2,861,082**	**$ 19,862,377**
Due from other governments:			
Commonwealth of Virginia	$ 257,319	$ -	$ 257,319
Counties	4,812,661	-	4,812,661
Total due from other governments	**$ 5,069,980**	**$ -**	**$ 5,069,980**

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 2039.

Lease and interest revenue in the general fund was $345,258 and $2,439 respectively, and $370,094 and $34,746 in the business-type activities, respectively, for 2026.

The lease receivables are due as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2027	$ 48,984	$ 60	$ 293,325	$ 61,222
2028	-	-	251,503	56,274
2029	-	-	253,215	51,512
2030	-	-	173,754	46,920
2031	-	-	149,799	43,576
Thereafter	-	-	1,286,081	212,363
	$ 48,984	**$ 60**	**$ 2,407,677**	**$ 471,867**

Note 5. Interfund Receivables, Payables, and Transfers

A summary of interfund transfer activity is presented as follows:

	Capital Projects Fund	Nonmajor Governmental Fund	Chestnut Grove Cemetery Fund	Total Transferred In
Transferred out:				
Primary government:				
Governmental activities:				
Nonmajor governmental fund	$ -	$ -	$ 87,032	$ 87,032
General fund	763,816	-	-	763,816
Business-type activities:				
Chestnut Grove Cemetery Fund	-	56,468	-	56,468
Total Transferred Out	**$ 763,816**	**$ 56,468**	**$ 87,032**	**$ 907,316**

The transfer from the Nonmajor governmental funds is for interest and investment income, net from the Perpetual Care Fund.

The transfer from the Chestnut Grove Cemetery Fund to Nonmajor Governmental Funds represents 10% of cemetery site revenues transferred to the Perpetual Care Fund.

The transfer to the Capital Projects Fund from the General Fund is to fund capital spending funded by General Fund revenues.

(Continued)

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	$ 7,203,911	$ -	$ 31,030,664
Easements	3,878,207	-	-	3,878,207
Construction in progress	12,067,923	3,318,946	(13,038,202)	2,348,667
Total capital assets not depreciated	39,772,883	10,522,857	(13,038,202)	37,257,538
Capital assets, depreciated and amortized:				
Infrastructure	109,476,646	671,527	-	110,148,173
Buildings	48,010,857	824,300	-	48,835,157
Improvements other than buildings	19,529,585	1,310,533	-	20,840,118
Machinery and equipment	17,122,871	1,747,860	(524,303)	18,346,428
Machinery and equipment – Right-to-use leases	96,564	-	-	96,564
Right-to-use subscriptions	854,614	186,306	(48,235)	992,685
Intangibles	587,369	-	-	587,369
Furniture and fixtures	1,071,534	137,832	(7,309)	1,202,057
Total capital assets	196,750,040	4,878,358	(579,847)	201,048,551
Less: accumulated depreciation and amortization:				
Infrastructure	(73,148,107)	(1,778,036)	-	(74,926,143)
Buildings	(27,050,633)	(1,702,861)	-	(28,753,494)
Improvements other than buildings	(12,177,538)	(539,337)	-	(12,716,875)
Machinery and equipment	(7,110,612)	(1,277,834)	522,940	(7,865,506)
Machinery and equipment – Right-to-use leases	(18,369)	(19,313)	-	(37,682)
Right-to-use subscriptions	(636,356)	(238,731)	48,235	(826,852)
Intangibles	(587,433)	(18)	-	(587,451)
Furniture and fixtures	(679,575)	(47,962)	7,309	(720,228)
Total accumulated depreciation and amortization	(121,408,623)	(5,604,092)	578,484	(126,434,231)
Total capital assets, depreciated and amortized, net	75,341,417	(725,734)	(1,363)	74,614,320
Governmental activities capital assets, net	**$ 115,114,300**	**$ 9,797,123**	**$ (13,039,565)**	**$ 111,871,858**

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	2,601,508	383,903	(2,412,958)	572,453
Total capital assets not depreciated	5,141,582	383,903	(2,412,958)	3,112,527
Capital assets, depreciated and amortized:				
Buildings	3,916,441	52,187	-	3,968,628
Improvements other than buildings	39,643,525	6,339,594	-	45,983,119
Machinery and equipment	5,431,465	997,829	(304,637)	6,124,657
Machinery and equipment – Right-to-use leases	19,419	23,758	(19,419)	23,758
Intangibles and purchased capacity	15,370,173	-	-	15,370,173
Total capital assets	64,381,023	7,413,368	(324,056)	71,470,335
Less: accumulated depreciation and amortization:				
Buildings	(2,613,582)	(101,367)	-	(2,714,949)
Improvements other than buildings	(29,863,176)	(1,127,180)	-	(30,990,356)
Machinery and equipment	(2,524,808)	(363,952)	269,190	(2,619,570)
Machinery and equipment – Right-to-use leases	(17,072)	(3,627)	19,419	(1,280)
Intangibles and purchased capacity	(7,580,144)	(206,293)	-	(7,786,437)
Total accumulated depreciation and amortization	(42,598,782)	(1,802,419)	288,609	(44,112,592)
Total capital assets, depreciated and amortized, net	21,782,241	5,610,949	(35,447)	27,357,743
Business-type activities capital assets, net	**$ 26,923,823**	**$ 5,994,852**	**$(2,448,405)**	**$ 30,470,270**

Note 6. Capital Assets (Continued)

Primary Government

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

Governmental activities:		
Legislative	$	38,772
Administration		149,400
Parks and Recreation		1,005,840
Finance		57,077
Community Development		41,445
Police		593,367
Public Works		3,387,792
Town Attorney		72,356
Non-Departmental		258,043
	$	**5,604,092**
Business-type activities:		
Water and Sewer	$	1,429,557
Golf Course		308,830
Chestnut Grove Cemetery		64,032
	$	**1,802,419**

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:

	Unavailable	Unearned
Delinquent property tax receivable	$ 134,318	$ -
Advance billing of 2026 taxes	15,774,305	15,774,305
Intergovernmental	-	118,361
Other	49,172	4,458,332
	$ 15,957,795	**$ 20,350,998**

The golf fund showed $31,960 of unearned revenue from the annual passes sold by year end.

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	$ 7,056,136	$ -	$ (917,785)	$ 6,138,351	$ 873,809
Plus deferred amount for bond premiums	107,232	-	(7,659)	99,573	-
Leases	80,918	-	(19,396)	61,522	19,437
Subscriptions	169,469	186,431	(226,021)	129,879	129,879
	7,413,755	186,431	(1,170,861)	6,429,325	1,023,125
Compensated absences	3,074,891	42,390	-	3,117,281	1,537,355
	$ 10,488,646	**$ 228,821**	**$ (1,170,861)**	**$ 9,546,606**	**$ 2,560,480**
Business-Type Activities:					
General obligation bonds	$ 6,839,864	$ -	$ (333,216)	$ 6,506,648	$ 325,191
Financed Purchase	180,000	-	(60,000)	120,000	60,000
Fairfax Water	1,640,039	-	(171,360)	1,468,679	181,624
Leases	2,196	23,758	(4,572)	21,382	4,552
	8,662,099	23,758	(569,148)	8,116,709	571,367
Compensated absences	414,998	48,961	-	463,959	214,754
	$ 9,077,097	**$ 72,719**	**$ (569,148)**	**$ 8,580,668**	**$ 786,121**

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 $579,583,775. With total exempt debt of $6,429,325 the Town has a legal debt margin of $573,154,451.

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:

	Governmental Activities					
	General Obligations		Lease Liabilities		Subscription Liabilities	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 873,809	$ 160,614	$ 19,437	$ 1,740	$ 129,879	$ 1,322
2028	852,211	143,025	19,589	887	-	-
2029	867,481	125,265	17,451	404	-	-
2030	889,850	107,148	4,666	44	-	-
2031	260,000	88,006	379	6	-	-
2032-2036	1,430,000	291,113	-	-	-	-
2037-2041	965,000	63,538	-	-	-	-
	$ 6,138,351	**$ 978,709**	**$ 61,522**	**$ 3,081**	**$ 129,879**	**$ 1,322**

	Business-Type Activities Total					
	General Obligations and Fairfax Water		Lease Liabilities		Financed Purchases	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 506,815	$ 296,158	$ 4,552	$ 478	$ 60,000	$ 2,817
2028	519,294	275,959	4,664	366	60,000	939
2029	543,560	254,692	4,778	252		
2030	410,028	232,202	4,895	135	-	-
2031	253,455	218,110	2,493	23	-	-
2032-2036	1,433,199	923,111	-	-	-	-
2037-2041	1,558,976	632,754	-	-	-	-
2042-2046	1,425,000	382,913	-	-	-	-
2047-2050	1,325,000	117,950	-	-	-	-
	$ 7,975,327	**$ 3,333,849**	**$ 21,382**	**$ 1,254**	**$ 120,000**	**$ 3,756**

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

Details of Long-Term Indebtedness

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Public Improvement Bonds	2.00-5.00	2018	2050	$ 11,135,000	$ 3,575,000	$ 5,825,000
General Obligation Public Refunding Bonds	1.04	2020	2030	5,229,000	2,563,351	681,648
Fairfax Water 1994 Agreement	0.00	1994	2029	2,085,419	-	403,167
Fairfax Water 1999 Agreement	0.00	1999	2039	2,452,622	-	1,065,512
Financed Purchase	3.13	2023	2027	300,000	-	120,000
					$ 6,138,351	**$ 8,095,327**
Leases for equipment	Various	2020	2029	157,058	$ 61,522	$ 21,382
Subscriptions	Various	2022	2027	540,548	129,879	-
					$ 191,401	**$ 21,382**

The Town has leases for various equipment such as copiers and postage machines for periods expiring between years ended 2027 and 2030. 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. 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.

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, 2024, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	197
Inactive members:	
Vested inactive members	67
Non-vested inactive members	122
Inactive members active elsewhere in VRS	54
Total inactive members	440
Active members	248
Total covered employees	**688**

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, 2026, was 8.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 $2,094,590 and $1,947,608 for the years ended June 30, 2026, and June 30, 2025, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $119,795 for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $183,070 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled $11,979,525 for the year ended June 30, 2026.

Net Pension Liability (Asset)

The net pension liability (asset) 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 (asset) was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2024, rolled forward to the measurement date of June 30, 2025.

Note 9. Defined Benefit Pension Plan (Continued)

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, 2024, 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, 2025.

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 and a Modified MP-2021 Improvement Scale with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date as of June 30, 2025, and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024, except the change in the discount rate. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General Employees – Metro – Non-Hazardous Duty: Maintained mortality table with adjustments; moved retirement and termination rates to the way of the observed experience; moved disability rates to the way of the observed experience to maintain margin; increased Merit & longevity on the salary scale; no change to discount rate.

Public Safety Employees – Metro– Hazardous Duty: Maintained mortality table with adjustments; moved retirement and termination rates to the way of the observed experience; moved disability rates to the way of the observed experience to maintain margin; increased Merit & Longevity on the salary scale; and no change to discount rate.

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	32.00 %	6.60 %	2.11 %
Fixed-Income	16.00	5.09	0.81
Credit Strategies	16.00	8.21	1.31
Real Assets	15.00	7.10	1.07
Private Equity	15.00	8.60	1.29
PIP – Private Investment Partnership	1.00	7.95	0.08
Diversifying Strategies	6.00	6.82	0.41
Cash	2.00	4.07	0.08
Leverage	(3.00)	4.57	(0.14)
Total	100.00 %		**7.02 %**
*Expected arithmetic nominal return			**7.02 %**

*The above allocation provides for a one-year return of 7.02% (includes 2.50% inflation assumption). 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 7.06%, 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%.

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. For the year ended June 30, 2025, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2024, actuarial valuations. From July 1, 2025, 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 (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2024	$ 110,663,669	$ 110,275,909	$ 387,760
Service cost	2,311,261	-	2,311,261
Interest	7,431,972	-	7,431,972
Differences between expected and actual experience	3,278,227	-	3,278,227
Assumption Changes	731,416		731,416
Contributions – employer	-	1,971,437	(1,971,437)
Contributions – employee	-	1,140,147	(1,140,147)
Net investment income	-	11,552,310	(11,552,310)
Benefit payments, including refunds of employee contributions	(5,743,268)	(5,743,268)	-
Administrative expenses	-	(66,250)	66,250
Other changes	-	2,986	(2,986)
Net changes	8,009,608	8,857,362	(847,754)
Balances at June 30, 2025	**$ 118,673,277**	**$ 119,133,271**	**$ (459,994)**

Note 9. Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability (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:

	1.00% Decrease (5.75%)	Current Discount Rate	1.00% Increase (7.75%)
Political Subdivision's net pension liability (asset)	$ **14,267,476**	**$ (459,994)**	**$ (12,734,593)**

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

For the year ended June 30, 2026, the Political Subdivision recognized pension expense of $495,564. At June 30, 2026, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,081,814	$ -
Change in assumptions	472,049	-
Net difference between projected and actual earnings on pension plan investments	-	3,712,778
Employer contributions subsequent to the measurement date	2,094,590	-
Total	**$ 5,648,453**	**$ 3,712,778**

Note 9. Defined Benefit Pension Plan (Continued)

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

The $2,094,590 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, 2027. 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
2027	$ 2,365,581
2028	(232,275)
2029	(1,452,294)
2030	(839,927)
2031	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS annual report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, 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, 2026, $271,323 was payable to the Virginia Retirement System for the legally required contributions related to June 2026 payroll.

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 111 participants in the Plan at June 30, 2026. 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 $231,903 for the fiscal year ended June 30, 2026. Data concerning the value of vested and non-vested benefits as of June 30, 2026, is as follows:

Vested benefits	$	4,786,984
Non-vested benefits		358,698
	$	**5,145,682**

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.

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, 2026, 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, 2026, 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 includes 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.

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

Employees Covered by Benefit Terms

As of the July 1, 2025, actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries:	
Currently receiving benefits	60
Entitled to but not yet receiving benefits	-
Total inactive employees	60
Active plan members	234
	294

Total OPEB Liability

The town's total OPEB liability of $3,453,846 was measured as of July 1, 2025, and was determined based on an actuarial valuation performed as of July 1, 2024.

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	4.71%
Salary increases, including inflation	2.5%, plus productivity component of 1.25%
Healthcare cost trend rates	11.69% for fiscal year end 2025 (to reflect actual experience), then 7.00% for fiscal year end 2026, decreasing 0.25% per year to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Same as Healthcare Trend

Mortality rates: Pub-2010 Mortality Table, with improvement scale MP-2021 fully generational.

The actuarial assumptions used in the July 1, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2024, through June 30, 2025.

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

Changes in the Total OPEB Liability

Balance at June 30, 2025	$ 3,374,965
Changes for the year:	
Service cost	207,386
Interest	142,908
Differences between expected and actual experience	156,968
Benefit payments	(178,303)
Assumption changes	(55,137)
Net changes	273,822
Balance at June 30, 2026	**$ 3,648,787**

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

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 (3.71%) or one percentage point higher (5.71%) than the current discount rate:

	1.00% Decrease (3.71%)	Current Discount Rate (4.71%)	1.00% Increase (5.71%)
Total OPEB liability	**$ 3,969,709**	**$ 3,648,787**	**$ 3,360,695**

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

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 (5.50%) or one percentage point higher (7.50%) than the current healthcare cost trend rates:

	1.00% Decrease (5.50%)	Current Healthcare Cost Trend Rates (6.50%)	1.00% Increase (7.50%)
Total OPEB liability	**$ 3,293,237**	**$ 3,648,787**	**$ 4,063,952**

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

For the year ended June 30, 2026, the Town recognized OPEB expense of $35,538. At June 30, 2026, 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	$ 124,603	$ 270,002
Change in assumptions	-	172,775
Employer contributions subsequent to measurement date	43,244	-
Total	**$ 167,847**	**$ 442,777**

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

The $43,244 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, 2027. 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,	Effect on OPEB Expense
2027	$ (268,976)
2028	(42,005)
2029	(25,036)
2030	17,843
2031	-
Thereafter	-

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

The plan is not administered through a trust, thus, a portion of the total OPEB liability is reported on the government-wide statements as current, representing the full amount of benefit payments expected to be paid within one year. A reconciliation of the total plan liabilities is reported below.

	Governmental Activities	Business-Type Activities
Current portion	$ 160,232	$ 18,071
Noncurrent portion	3,118,748	351,736
Total OPEB liability	**$ 3,278,980**	**$ 369,807**

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 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/benefits-and-programs/benefits/life-insurance/.

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.

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, 2023. 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, with the exception of GLI which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 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:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2026 Contribution	$117,068
June 30, 2025 Contribution	$109,260

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

The net OPEB liabilities were measured as of June 30, 2025, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. 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, 2025, relative to the total of the actuarially determined employer contributions for all participating employers.

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, 2026 proportionate share of liability	$811,317
June 30, 2025 proportion	0.08432%
June 30, 2024 proportion	0.08529%
June 30, 2026 revenue	$15,926

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amounts from changes in proportion.

At June 30, 2026, 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	$ 143,924	$ 15,271
Changes of assumptions	-	26,545
Net difference between projected and actual earnings on OPEB plan investments	-	113,534
Changes in proportion	10,008	26,080
Employer contributions subsequent to the measurement date	117,068	-
Total	**$ 271,000**	**$ 181,430**

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 $117,068 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, 2027. 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,	Effect on OPEB Expense
2027	$ (7,643)
2028	(17,620)
2029	(6,086)
2030	(813)
2031	4,664
Thereafter	-

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, 2024, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

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 in Note 9.

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

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, 2025, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	$ 4,433,282
Plan fiduciary net position	$ 3,471,094
Net OPEB liability (asset)	$ 962,188
Plan fiduciary net position as a percentage of total OPEB liability	78.30%

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.

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 is the same as those used by the VRS pension plans. The long-term expected rate of return is detailed in Note 9.

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, 2025, 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 117% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2025 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	**$ 1,368,657**	**$ 811,317**	**$ 361,675**

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 2025 Annual Report. A copy of the 2025 VRS may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, 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	$ 139,956	$ 27,891	$ 167,847
VRS GLI	241,018	29,982	271,000
Total deferred outflows of resources - OPEB	**$ 380,974**	**$ 57,873**	**$ 438,847**
Net OPEB liability			
Local plan	$ 3,278,980	$ 369,807	$ 3,648,787
VRS GLI	725,593	85,724	811,317
Total net OPEB liability	**$ 4,004,573**	**$ 455,531**	**$ 4,460,104**
Deferred inflows of resources - OPEB			
Local plan	$ 371,879	$ 70,898	$ 442,777
VRS GLI	162,268	19,162	181,430
Total deferred inflows of resources - OPEB	**$ 534,147**	**$ 90,060**	**$ 624,207**
OPEB expense (revenue)			
Local plan	$ 20,351	$ 15,187	$ 35,538
VRS GLI	(14,243)	(1,683)	(15,926)
Total OPEB expense	**$ 6,108**	**$ 13,504**	**$ 19,612**

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.

Note 16. Subsequent Event

The Herndon Downtown Redevelopment Project, a PPEA partnership between the Town and Comstock Herndon Venture LC, ended via notification by Comstock on December 10, 2024. Comstock Herndon Venture LC refused to transfer title to the real estate pursuant to the terms of the contract and the Town filed a petition in Fairfax County Circuit Court to resolve this issue. The court issued an interim ruling on September 24, 2026, in favor of the developer. The town filed an appeal of this ruling to the Virginia Court of Appeals on October 7, 2026.

Note 17. New Accounting Standards

In December 2025, the GASB issued Statement **No. 105, Subsequent Events**. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing the consistency in their application and better meeting the information needs of financial statement users. This statement also clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026.

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

TOWN OF Herndon VIRGINIA

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual Amounts Budgetary (and GAAP)	Variance with Final Budget - Over (Under)
	Original	Final	Final Budget	Basis Amounts	Actual Amounts
Budgetary Revenues:					
General property taxes	$ 15,294,340	$ 15,294,340	$ -	$ 15,324,248	$ 29,908
Other local taxes	19,866,896	19,866,896	-	19,837,346	(29,550)
Permits, privilege fees, and regulatory licenses	758,500	758,500	-	1,188,594	430,094
Fines and forfeitures	405,600	405,600	-	438,033	32,433
Use of money and property	2,047,697	2,047,697	-	1,802,395	(245,302)
Charges for services	2,691,269	2,691,269	-	2,954,742	263,473
Miscellaneous	78,000	138,000	60,000	107,003	(30,997)
Intergovernmental	5,445,373	5,622,373	177,000	5,471,162	(151,211)
Total budgetary revenues	46,587,675	46,824,675	237,000	47,123,523	298,848
Budgetary Expenditures:					
Current:					
Legislative	779,764	779,764	-	571,382	(208,382)
Administration	5,362,281	6,152,824	790,543	5,380,564	(772,260)
Town attorney	1,241,755	1,240,455	(1,300)	1,302,403	61,948
Parks and recreation	5,368,849	5,621,375	252,526	5,135,579	(485,796)
Finance	2,123,659	2,179,318	55,659	2,178,583	(735)
Community development	3,186,153	4,534,260	1,348,107	3,348,040	(1,186,220)
Police	13,517,867	13,700,451	182,584	13,371,010	(329,441)
Public works	16,467,826	17,761,952	1,294,126	15,452,154	(2,309,798)
Grants	19,738	19,738	-	59,055	39,317
Non-departmental	(267,994)	2,676,437	2,944,431	(41,728)	(2,718,165)
Debt service:					
Principal	1,134,455	1,134,455	-	1,163,067	28,612
Interest and fiscal charges	180,061	180,061	-	183,850	3,789
Total budgetary expenditures	49,114,414	55,981,090	6,866,676	48,103,959	(7,877,131)
Budgetary excess (deficiency) of revenues over (under) expenditures	**(2,526,739)**	**(9,156,415)**	**(6,629,676)**	**(980,436)**	**8,175,979**

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget Over (Under)	Actual Amounts Budgetary (and GAAP)	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Basis Amounts	Actual Amounts
Budgetary other financing sources (uses):					
Proceeds from sale of capital assets	$ 150,000	$ 150,000	$ -	$ 156,815	$ 6,815
Issuance of leases and subscription arrangements	-	-	-	138,071	138,071
Insurance recoveries	75,000	75,000	-	135,377	60,377
Transfers out	(1,323,811)	(1,323,811)	-	(763,816)	559,995
Total budgetary other financing sources (uses), net	(1,098,811)	(1,098,811)	-	(333,553)	765,258
Net change in fund balance	(3,625,550)	(10,255,226)	(6,629,676)	(1,313,989)	8,941,237
Budgetary fund balance, beginning of period	31,549,256	24,167,031	(7,382,225)	33,490,195	9,323,164
Budgetary fund balance, end of period	**$ 27,923,706**	**$ 13,911,805**	**$ (14,011,901)**	**$ 32,176,206**	**$ 18,264,401**

RECONCILIATION TO GAAP BASIS

Total fund balance GAAP basis	$ 32,176,206

TOWN OF HERNDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULEGENERAL FUND
YEAR ENDED JUNE 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - over (under) Final Budget	Differences - Original Budget to Final Budget
BUDGETARY EXPENDITURES				
Differences - original budget to final budget				
Current:				
Administration	$ 5,362,281	$ 6,152,824	$ 790,543	The increase to the original budget includes reappropriations of prior year IT costs related to the ongoing transformation initiative, combined with the impact of added employee headcount.
Community development	3,186,153	4,534,260	1,348,107	The original budget was amended for ongoing professional fees related to the multi-year 2050 Comprehensive Plan, as well as for ongoing tree maintenance.
Non-departmental	(267,994)	2,676,437	2,944,431	The original budget was amended for reappropriation of the anticipated Downtown Redevelopment Project.

	Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Fiscal Budget - over (under) Actual Amounts	Differences - Final Budget to Actual
BUDGETARY EXPENDITURES				
Differences - final budget to actual				
Administration	$ 6,152,824	$ 5,380,564	$ (772,260)	Actual expenditures were below budget, primarily due to the timing of ongoing IT transformation initiatives and other professional services costs, as well as savings from vacant positions.
Community Development	4,534,260	3,348,040	(1,186,220)	Actual expenditures were below budget, primarily due to the timing of professional services and other costs associated with the multi-year 2050 Comprehensive Plan, as well as savings from vacant positions.
Public Works	17,761,952	15,452,154	(2,309,798)	Actual expenditures were below budget, primarily due to savings from vacant positions, the timing of asset purchases, and lower than anticipated fuel, building maintenance, and repair costs.
Non-departmental	2,676,437	(41,728)	(2,718,165)	The anticipated Downtown Redevelopment Project has been canceled.

	Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Fiscal Budget to Actual Amounts	Differences - Final Budget to Actual
BUDGETARY OTHER FINANCING SOURCES (USES)				
Differences - final budget to actual				
Transfers Out	$ (1,323,811)	$ (763,816)	$ 559,995	Actuals reflect lower capital and stormwater management project spending.

Scope used for variances: $497,300 and 10%

TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
Year Ended June 30, 2026

	Plan Year								
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Total OPEB Liability									
Service cost	$ 207,386	$ 210,308	$ 207,900	$ 315,158	$ 255,058	$ 235,451	$ 205,822	$ 132,301	$ 127,335
Interest on total OPEB liability	142,908	138,563	128,372	98,923	107,304	161,075	172,343	120,406	116,391
Difference between actual and expected experience	156,968	(241,660)	-	(1,010,712)	112,727	(1,201,366)	(73,408)	1,209,950	-
Changes of assumptions	(55,137)	(21,001)	(50,473)	(769,221)	456,570	238,046	201,946	(70,475)	-
Benefit payments	(178,303)	(179,589)	(175,365)	(225,528)	(212,840)	(225,137)	(77,967)	(95,969)	(175,191)
Net change in total OPEB liability	273,822	(93,379)	110,434	(1,591,380)	718,819	(791,931)	428,736	1,296,213	68,535
Total OPEB liability (beginning)	3,374,965	3,468,344	3,357,910	4,949,290	4,230,471	5,022,402	4,593,666	3,297,453	3,228,918
Total OPEB liability (ending)	$ 3,648,787	$ 3,374,965	$ 3,468,344	$ 3,357,910	$ 4,949,290	$ 4,230,471	$ 5,022,402	$ 4,593,666	$ 3,297,453
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	$ 22,237,043	$ 22,237,043	$ 18,769,623	$ 18,769,623	$ 16,823,189	$ 16,823,189	$ 17,382,513	$ 17,382,513	$ 10,855,369
Total OPEB liability as a percentage of of covered employee payroll	16.41%	15.18%	18.48%	17.89%	29.42%	25.15%	28.89%	26.43%	30.38%

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

TOWN OF HERNDON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2026

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					
2026	$ 117,068	$ 117,068	$ -	$ 24,913,552	0.47 %
2025	109,260	109,260	-	23,246,951	0.47
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, 2026

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					
2025	0.08 %	$ 811,317	$ 23,246,951	3.49 %	78.30 %
2024	0.09	951,770	21,900,793	4.35	73.41
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, 2026

	Plan Year									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total Pension Liability										
Service cost	$ 2,311,261	$ 2,149,529	$ 1,955,303	$ 1,811,464	$ 1,929,833	$ 1,915,044	$ 1,796,601	$ 1,723,180	$ 1,780,019	$ 1,775,184
Interest on total pension liability	7,431,972	6,968,762	6,710,646	6,526,562	6,017,056	5,681,425	5,501,837	5,263,541	5,143,537	4,887,085
Benefit payments, including refunds of employee contributions	(5,743,268)	(5,517,552)	(4,967,451)	(4,938,600)	(4,199,471)	(3,945,737)	(3,592,462)	(2,978,005)	(2,984,230)	(2,474,947)
Difference between actual and expected experience	3,278,227	3,212,770	206,258	(801,670)	(1,098,497)	1,448,447	(482,342)	(297,252)	(1,706,344)	(269,073)
Changes of assumptions	731,416	-	-	-	3,457,423	-	2,524,588	-	(521,761)	-
Net change in total pension liability	8,009,608	6,813,509	3,904,756	2,597,756	6,106,344	5,099,179	5,748,222	3,711,464	1,711,221	3,918,249
Total pension liability (beginning)	110,663,669	103,850,160	99,945,404	97,347,648	91,241,304	86,142,125	80,393,903	76,682,439	74,971,218	71,052,969
Total pension liability (ending)	$ 118,673,277	$ 110,663,669	$ 103,850,160	$ 99,945,404	$ 97,347,648	$ 91,241,304	$ 86,142,125	$ 80,393,903	$ 76,682,439	$ 74,971,218
Plan Fiduciary Net Position										
Contributions - employer	$ 1,971,437	$ 1,720,542	$ 1,583,248	$ 1,405,099	$ 1,376,014	$ 1,126,210	$ 1,062,239	$ 1,239,811	$ 1,256,634	$ 1,548,518
Contributions - employee	1,140,147	1,002,890	911,680	871,165	937,873	859,817	842,610	813,625	876,797	800,721
Net investment income (loss)	11,552,310	9,931,599	6,352,548	(73,782)	22,278,449	1,554,123	5,217,554	5,485,075	8,184,878	1,164,925
Benefit payments, including refunds of employee contributions	(5,743,268)	(5,517,552)	(4,967,451)	(4,938,600)	(4,199,471)	(3,945,737)	(3,592,462)	(2,978,005)	(2,984,230)	(2,474,947)
Administrative expenses	(66,250)	(67,840)	(64,015)	(64,104)	(55,765)	(53,891)	(52,294)	(47,214)	(47,240)	(40,637)
Other	2,986	1,967	2,554	2,335	2,097	(1,845)	(3,286)	(4,893)	(7,263)	(490)
Net change in plan fiduciary net position	8,857,362	7,071,606	3,818,564	(2,797,887)	20,339,197	(461,323)	3,474,361	4,508,399	7,279,576	998,090
Plan fiduciary net position - beginning	110,275,909	103,204,303	99,385,739	102,183,626	81,844,429	82,305,752	78,831,391	74,322,992	67,043,416	66,045,326
Plan fiduciary net position - ending	$ 119,133,271	$ 110,275,909	$ 103,204,303	$ 99,385,739	$ 102,183,626	$ 81,844,429	$ 82,305,752	$ 78,831,391	$ 74,322,992	$ 67,043,416
Net pension liability (asset) - ending	$ (459,994)	$ 387,760	$ 645,857	$ 559,665	$ (4,835,978)	$ 9,396,875	$ 3,836,373	$ 1,562,512	$ 2,359,447	$ 7,927,802
Plan fiduciary net position as a percentage of total pension liability	100.39%	99.65%	99.38%	99.44%	104.97%	89.70%	95.55%	98.06%	96.92%	89.43%
Covered payroll	$ 23,246,951	$ 21,900,793	$ 19,801,684	$ 18,433,108	$ 17,816,619	$ 18,385,923	$ 17,501,069	$ 16,835,121	$ 16,663,134	$ 16,563,441
Net pension liability (asset) as a percentage of covered payroll	-1.98%	1.77%	3.26%	3.04%	-27.14%	51.11%	21.92%	9.28%	14.16%	47.86%

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, 2026

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					
2026	$ 2,094,590	$ 2,094,590	$ -	$ 24,913,552	8.41 %
2025	1,947,608	1,947,608	-	23,246,951	8.38
2024	1,720,542	1,720,542	-	21,900,793	7.86
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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2026

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarially material changes to 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, 2024, valuation were rolled forward to a measurement date of June 30, 2025, and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows for all VRS Pension and OPEB plans:

Metro – Non-Hazardous Duty, Metro – Hazardous Duty/Public Safety Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ≈25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ≈25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ≈50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit and Longevity 50 basis points
Discount Rate	No change

Group Life Insurance

Retiree liability estimation for Life Only	Change from 1.618% to 2.0%

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TOWN OF Herndon VIRGINIA

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OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

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 funds are the Chestnut Grove Cemetery Perpetual Care Fund, the Stormwater Management Fund, and the American Rescue Plan Act Fund.

TOWN OF HERNDON, VIRGINIA

Exhibit B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2026

	Special Revenue			
	Chestnut Grove Cemetery Perpetual Care Fund	Stormwater Management Fund	ARPA Fund	Total Nonmajor Governmental funds
ASSETS				
Cash, cash equivalents, and investments - restricted	$ 2,195,975	$ 2,372,108	$ 1,391,438	$ 5,959,521
Receivables - other accounts	-	1,512	-	1,512
Due from other governments		80,009		80,009
Inventories	-	5,396	-	5,396
Total assets	$ 2,195,975	$ 2,459,025	$ 1,391,438	$ 6,046,438
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 60,323	$ 143,024	$ 203,347
Accrued payroll	-	19,829	-	19,829
Unearned revenue	-	432,463	249,178	681,641
Total liabilities	-	512,615	392,202	904,817
Fund balances:				
Nonspendable				
Inventories	-	5,396	-	5,396
Restricted:				
Cemetery perpetual care	2,195,975	-	-	2,195,975
Stormwater	-	1,496,276	-	1,496,276
Assigned:				
Operating and capital costs	-	444,738	426,550	871,288
Subsequent years' expenditures	-	-	572,686	572,686
Total fund balances	2,195,975	1,946,410	999,236	5,141,621
Total liabilities and fund balances	$ 2,195,975	$ 2,459,025	$ 1,391,438	$ 6,046,438

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2026

	Special Revenue			
	Chestnut Grove Cemetery Perpetual Care Fund	Stormwater Management Fund	ARPA Fund	Total Nonmajor Governmental funds
Revenues:				
Revenue from local sources:				
Permits	$ -	$ 7,490	$ -	$ 7,490
Use of money and property	87,032	84,644	69,082	240,758
Intergovernmental	-	1,224,585	1,336,170	2,560,755
Total revenues	87,032	1,316,719	1,405,252	2,809,003
Expenditures:				
Personnel services	-	385,949	-	385,949
Operations and maintenance	-	327,680	635,578	963,258
Capital outlay	-	467,401	1,615,891	2,083,292
Total expenditures	-	1,181,030	2,251,469	3,432,499
Excess (deficiency) of revenues over expenditures	87,032	135,689	(846,217)	(623,496)
Other financing sources (uses):				
Transfers in	56,468	-	-	56,468
Transfers out	(87,032)	-	-	(87,032)
Total other financing sources, net	(30,564)	-	-	(30,564)
Net change in fund balances	56,468	135,689	(846,217)	(654,060)
Fund balances, July 1	2,139,507	1,810,721	1,845,453	5,795,681
Fund balances, June 30	$ 2,195,975	$ 1,946,410	$ 999,236	$ 5,141,621

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real estate taxes	$ 15,176,385	$ 15,176,385	$ 15,116,674	$ (59,711)
Public service corporation taxes	350,000	350,000	381,182	31,182
Elderly tax relief exemption	(277,045)	(277,045)	(222,551)	54,494
Penalties and interest	45,000	45,000	48,943	3,943
Total general property taxes	15,294,340	15,294,340	15,324,248	29,908
Other local taxes:				
Consumer utility tax	810,000	810,000	841,939	31,939
Right-of-way use fees	95,000	95,000	88,507	(6,493)
Cigarette tax	141,075	141,075	134,110	(6,965)
Transient occupancy tax	2,243,133	2,243,133	2,166,598	(76,535)
Meals tax	5,487,617	5,487,617	5,434,680	(52,937)
Bank stock tax	600,000	600,000	663,274	63,274
Cable TV franchise tax	120,000	120,000	105,237	(14,763)
Business licenses (BPOL)	7,000,000	7,000,000	6,915,898	(84,102)
Utility consumption tax	90,000	90,000	81,729	(8,271)
Motor vehicle licenses	560,000	560,000	474,931	(85,069)
Local sales tax	2,720,071	2,720,071	2,930,443	210,372
Total other local taxes	19,866,896	19,866,896	19,837,346	(29,550)
Permits, privilege fees, and regulatory licenses:				
Residential parking permits	500	500	530	30
Planning fees	200,000	200,000	254,395	54,395
State stormwater management fees	3,000	3,000	-	(3,000)
Building inspection fees	540,000	540,000	919,141	379,141
Right-of-way permit fees	15,000	15,000	14,528	(472)
Total permits, privilege fees, and regulatory licenses	758,500	758,500	1,188,594	430,094
Fines and forfeitures:				
Parking fines	69,000	69,000	111,285	42,285
Court fees - Fairfax County	310,000	310,000	297,023	(12,977)
Court maintenance fees	6,000	6,000	7,312	1,312
E-Summons fees	20,000	20,000	20,363	363
Zoning fines	600	600	2,050	1,450
Total fines and forfeitures	405,600	405,600	438,033	32,433

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenue from local sources: (Continued)				
Use of money and property:				
Interest on investments	$ 1,702,439	$ 1,702,439	$ 1,473,105	$ (229,334)
Rental income	-	-	1,449	1,449
Lease revenue	345,258	345,258	327,841	(17,417)
Total use of money and property	2,047,697	2,047,697	1,802,395	(245,302)
Charges for services:				
Franchise lease	77,368	77,368	79,686	2,318
Special refuse collection	15,000	15,000	22,592	7,592
Recycling collection	502,000	502,000	529,824	27,824
Recreation program fees	1,375,051	1,375,051	1,669,089	294,038
Admission fees	272,800	272,800	234,455	(38,345)
Park operation	36,500	36,500	54,905	18,405
Concession	12,800	12,800	10,863	(1,937)
Rental income - parks & recreation	166,100	166,100	155,839	(10,261)
Tennis/multi-use facility	220,000	220,000	195,100	(24,900)
Sale of recyclable materials	-	-	5,821	5,821
Annual parking space maintenance fee	13,650	13,650	(3,432)	(17,082)
Total charges for services	2,691,269	2,691,269	2,954,742	263,473
Miscellaneous	78,000	138,000	107,003	(30,997)
Total revenue from local sources	41,142,302	41,202,302	41,652,361	450,059
Intergovernmental:				
County of Fairfax:				
Contribution toward tourism and economic development	40,000	40,000	40,000	-
Total from County of Fairfax	40,000	40,000	40,000	-

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Intergovernmental: (Continued)				
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	$ 752,860	$ 752,860	$ 733,539	$ (19,321)
Communications sales and use tax	1,132,857	1,132,857	1,075,153	(57,704)
Vehicle rental taxes	72,756	72,756	68,073	(4,683)
Total non-categorical aid	1,958,473	1,958,473	1,876,765	(81,708)
Categorical aid:				
Fire fund program	126,000	126,000	137,992	11,992
Litter control grant	10,900	10,900	9,847	(1,053)
Dept. of Criminal Justice Service -				
NOVA regional ICAC grant	45,000	45,000	48,862	3,862
State seized assets	100,000	100,000	59,055	(40,945)
Forestry grant	91,000	203,000	-	(203,000)
Arts grant	4,500	4,500	-	(4,500)
Street and highway maintenance allocation	2,700,000	2,700,000	2,799,010	99,010
Total categorical aid	3,077,400	3,189,400	3,054,766	(134,634)
Total from the Commonwealth	5,035,873	5,147,873	4,931,531	(216,342)
Federal government:				
Categorical aid:				
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement Grant	19,500	19,500	10,437	(9,063)
US Dept. of Justice/ Criminal Division Office				
Byrne Justice Assistance (JAG) Grant	-	65,000	58,842	(6,158)
Bullet Proof Vest Grant	5,000	5,000	10,829	5,829
Miscellaneous	160,000	160,000	188,499	28,499
Community Development Block Grant	185,000	185,000	74,806	(110,194)
Community Development Master Plan	-	-	156,218	156,218
Total from the Federal government	369,500	434,500	499,631	65,131
Total intergovernmental revenue	5,445,373	5,622,373	5,471,162	(151,211)
Other financing sources:				
Proceeds from sale of surplus property	150,000	150,000	156,815	6,815
Insurance recoveries	75,000	75,000	135,377	60,377
Issuance of leases and subscription arrangements	-	-	138,071	138,071
Total other financing sources	225,000	225,000	430,263	205,263
Total General Fund revenues	$ 46,812,675	$ 47,049,675	$ 47,553,786	$ 504,111

TOWN OF HERNDON, VIRGINIA

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Legislative:				
Personnel services	$ 679,878	$ 679,878	$ 495,947	$ 183,931
Operations and maintenance	99,886	99,886	75,435	24,451
Total legislative	779,764	779,764	571,382	208,382
Administration:				
Communications & Economic Development:				
Personnel services	476,742	506,742	553,019	(46,277)
Operations and maintenance	357,624	390,396	224,486	165,910
	834,366	897,138	777,505	119,633
Town manager:				
Personnel services	726,668	726,668	554,844	171,824
Operations and maintenance	21,766	61,766	66,355	(4,589)
	748,434	788,434	621,199	167,235
Human resources:				
Personnel services	744,582	744,582	862,357	(117,775)
Operations and maintenance	231,304	233,714	217,659	16,055
	975,886	978,296	1,080,016	(101,720)
Information services:				
Personnel services	1,148,748	1,148,748	1,148,915	(167)
Operations and maintenance	1,432,997	2,097,516	1,519,058	578,458
Capital outlay	221,850	242,692	233,871	8,821
	2,803,595	3,488,956	2,901,844	587,112
Total administration	5,362,281	6,152,824	5,380,564	772,260
Town attorney:				
Personnel services	888,778	888,778	925,205	(36,427)
Operations and maintenance	352,977	351,677	377,198	(25,521)
Total town attorney	1,241,755	1,240,455	1,302,403	(61,948)

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Parks and recreation:				
Administration:				
Personnel services	$ 880,913	$ 880,913	$ 809,069	$ 71,844
Operations and maintenance	128,954	140,954	141,132	(178)
	1,009,867	1,021,867	950,201	71,666
Recreation programs:				
Personnel services	984,378	984,378	912,207	72,171
Operations and maintenance	270,157	386,359	300,050	86,309
	1,254,535	1,370,737	1,212,257	158,480
Community center operations:				
Personnel services	936,761	936,761	925,220	11,541
Operations and maintenance	545,600	620,131	555,651	64,480
Capital outlay	29,600	46,402	25,053	21,349
	1,511,961	1,603,294	1,505,924	97,370
Aquatics programs and operations:				
Personnel services	969,295	969,295	924,884	44,411
Operations and maintenance	190,152	190,152	169,603	20,549
Capital outlay	20,000	20,000	15,231	4,769
	1,179,447	1,179,447	1,109,718	69,729
Park operations and development:				
Personnel services	125,231	125,231	103,521	21,710
Operations and maintenance	284,308	287,299	228,228	59,071
Capital outlay	3,500	33,500	25,730	7,770
	413,039	446,030	357,479	88,551
Total parks and recreation	5,368,849	5,621,375	5,135,579	485,796

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Finance:				
Personnel services	$ 2,001,936	$ 2,001,936	$ 1,996,113	$ 5,823
Operations and maintenance	118,723	177,382	182,470	(5,088)
Capital outlay	3,000	-	-	-
Total finance	2,123,659	2,179,318	2,178,583	735
Community development:				
Administration:				
Personnel services	2,366,563	2,366,563	2,221,989	144,574
Operations and maintenance	520,865	1,871,835	844,450	1,027,385
Capital outlay	9,000	6,137	-	6,137
	2,896,428	4,244,535	3,066,439	1,178,096
Community inspections:				
Personnel services	280,605	280,605	276,087	4,518
Operations and maintenance	9,120	9,120	5,514	3,606
	289,725	289,725	281,601	8,124
Total community development	3,186,153	4,534,260	3,348,040	1,186,220

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Police:				
Field operations:				
Personnel services	$ 6,570,969	$ 6,570,969	$ 6,334,647	$ 236,322
Operations and maintenance	75,100	75,100	74,994	106
Capital outlay	311,600	415,368	327,205	88,163
	6,957,669	7,061,437	6,736,846	324,591
Support services:				
Personnel services	5,263,398	5,263,398	5,571,826	(308,428)
Operations and maintenance	1,110,800	1,115,916	847,049	268,867
Capital outlay	186,000	259,700	215,289	44,411
	6,560,198	6,639,014	6,634,164	4,850
Total police	13,517,867	13,700,451	13,371,010	329,441
Public Works:				
Fleet:				
Personnel services	612,172	612,172	641,412	(29,240)
Operations and maintenance	562,878	624,057	515,233	108,824
	1,175,050	1,236,229	1,156,645	79,584
Operations Integration:				
Personnel services	469,636	469,636	373,935	95,701
Operations and maintenance	239,620	263,768	211,179	52,589
Capital outlay	1,604,000	2,120,477	1,167,975	952,502
	2,313,256	2,853,881	1,753,089	1,100,792
Administration:				
Personnel services	1,390,136	1,390,136	1,241,263	148,873
Operations and maintenance	19,175	63,082	54,082	9,000
	1,409,311	1,453,218	1,295,345	157,873
Engineering:				
Personnel services	1,105,450	1,105,450	800,223	305,227
Operations and maintenance	127,010	453,556	265,832	187,724
	1,232,460	1,559,006	1,066,055	492,951
Program management:				
Personnel services	344,490	344,490	616,462	(271,972)
Operations and maintenance	252,500	365,199	205,463	159,736
Capital outlay	400,000	400,000	202,203	197,797
	996,990	1,109,689	1,024,128	85,561

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Public Works: (Continued)				
Building inspections:				
Personnel services	$ 674,285	$ 674,285	$ 613,757	$ 60,528
Operations and maintenance	139,106	139,106	149,141	(10,035)
	813,391	813,391	762,898	50,493
Building maintenance:				
Personnel services	626,066	626,066	625,641	425
Operations and maintenance	1,288,761	1,294,094	1,159,108	134,986
	1,914,827	1,920,160	1,784,749	135,411
Grounds maintenance:				
Personnel services	885,718	885,718	834,871	50,847
Operations and maintenance	183,709	183,709	164,618	19,091
	1,069,427	1,069,427	999,489	69,938
Street maintenance:				
Personnel services	999,050	999,050	928,207	70,843
Operations and maintenance	1,136,288	1,170,295	1,005,606	164,689
	2,135,338	2,169,345	1,933,813	235,532
Refuse/recycling:				
Personnel services	1,527,848	1,527,848	1,540,106	(12,258)
Operations and maintenance	714,575	813,353	871,669	(58,316)
	2,242,423	2,341,201	2,411,775	(70,574)
Traffic engineering:				
Personnel services	344,746	344,746	384,011	(39,265)
Operations and maintenance	348,424	361,572	333,381	28,191
Capital outlay	90,000	147,905	147,905	-
	783,170	854,223	865,297	(11,074)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Public Works: (Continued)				
Right-of-way inspections:				
Personnel services	$ 355,500	$ 355,499	$ 373,150	$ (17,651)
Operations and maintenance	6,683	6,683	5,887	796
Capital outlay	20,000	20,000	19,834	166
	382,183	382,182	398,871	(16,689)
Total public works	16,467,826	17,761,952	15,452,154	2,309,798
Grants:				
Operations	19,738	19,738	59,055	(39,317)
Total grants	19,738	19,738	59,055	(39,317)
Non-departmental				
Operations	(267,994)	2,676,437	(41,728)	2,718,165
Total non-departmental	(267,994)	2,676,437	(41,728)	2,718,165
Debt service:				
Principal	1,134,455	1,134,455	1,163,067	(28,612)
Interest and fiscal charges	180,061	180,061	183,850	(3,789)
Total debt service	1,314,516	1,314,516	1,346,917	(32,401)
Other financing uses:				
Transfers out	1,323,811	1,323,811	763,816	559,995
Total other financing uses	1,323,811	1,323,811	763,816	559,995
Total General Fund expenditures	$ 50,438,225	$ 57,304,901	$ 48,867,775	$ 8,437,126

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, 2026

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Use of money and property	$ 150,000	$ 150,000	$ 183,959	$ 33,959
Miscellaneous	-	-	35,742	35,742
Intergovernmental	520,000	2,444,000	408,184	(2,035,816)
Total revenues	670,000	2,594,000	627,885	(1,966,115)
Capital Outlay:				
Administration	324,000	324,000	19,872	304,128
Parks & recreation	420,000	429,537	423,664	5,873
Police	254,000	290,000	278,711	11,289
Public works:				
Admin, buildings, and grounds	3,100,000	3,562,500	1,327,629	2,234,871
Streets, sidewalks, and trails	1,792,627	4,051,381	639,884	3,411,497
Other infrastructure	50,000	40,463	-	40,463
Total expenditures	5,940,627	8,697,881	2,689,760	6,008,121
Revenues over (under) expenditures	(5,270,627)	(6,103,881)	(2,061,875)	4,042,006
Other financing sources:				
Bond Proceeds	3,000,000	3,000,000	-	(3,000,000)
Transfers in	1,213,000	1,213,000	763,816	(449,184)
Total other financing sources	4,213,000	4,213,000	763,816	(3,449,184)
Net change in fund balance	$ (1,057,627)	$ (1,890,881)	$ (1,298,059)	$ 592,822

TOWN OF Herndon VIRGINIA

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STATISTICAL SECTION

TOWN OF HERNDON, VIRGINIA
STATISTICAL SECTION

TABLE OF CONTENTS

This part of the Town of Herndon's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends – Tables 1 – 4

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 89-94

Revenue Capacity – Tables 5 – 9

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax, as well as other revenue sources. 95-99

Debt Capacity – Tables 10 – 13

These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future. 100-103

Demographic and Economic Information – Tables 14 – 15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 104-105

Operating Information – Tables 16 – 18

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs. 106-109

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Governmental activities:										
Net investment in capital assets	$ 71,246,008	$ 71,885,582	$ 70,826,382	$ 73,311,591	$ 76,256,170	$ 85,163,306	$ 92,390,332	$ 102,658,840	$ 106,865,989	$ 104,293,530
Restricted	1,618,442	2,132,077	2,542,708	1,781,483	1,847,341	6,310,998	2,359,144	2,055,317	2,139,507	4,109,102
Unrestricted	8,499,347	10,633,283	14,016,685	15,761,317	21,402,934	19,288,384	28,568,561	36,449,035	35,521,231	32,064,780
Total governmental activities net position	$ 81,363,797	$ 84,650,942	$ 87,385,775	$ 90,854,391	$ 99,506,445	$ 110,762,688	$ 123,318,037	$ 141,163,192	$ 144,526,727	$ 140,467,412
Business-type activities:										
Net investment in capital assets	$ 16,771,452	$ 16,649,854	$ 16,512,129	$ 17,092,331	$ 14,818,995	$ 14,191,182	$ 14,578,598	$ 14,929,160	$ 17,427,484	$ 21,917,546
Restricted	$ 151,114	161,671	172,116	155,747	160,515	558,821	91,592	91,566	88,847	56,888
Unrestricted	14,653,463	15,559,458	15,985,051	16,082,595	13,426,076	14,327,549	16,680,263	20,443,886	26,696,384	26,813,426
Total business-type activities net position	$ 31,576,029	$ 32,370,983	$ 32,669,296	$ 33,330,673	$ 28,405,586	$ 29,077,552	$ 31,350,453	$ 35,464,612	$ 44,212,715	$ 48,787,860
Primary government:										
Net investment in capital assets	$ 88,017,460	$ 88,535,436	$ 87,338,511	$ 90,403,922	$ 91,075,165	$ 99,354,488	$ 106,968,930	$ 117,588,000	$ 124,293,473	$ 126,211,076
Restricted	1,769,556	2,293,748	2,714,824	1,937,230	2,007,856	6,869,819	2,450,736	2,146,883	2,228,354	4,165,990
Unrestricted	23,152,810	26,192,741	30,001,736	31,843,912	34,829,010	33,615,933	45,248,824	56,892,921	62,217,615	58,878,206
Total primary government net position	$ 112,939,826	$ 117,021,925	$ 120,055,071	$ 124,185,064	$ 127,912,031	$ 139,840,240	$ 154,668,490	$ 176,627,804	$ 188,739,442	$ 189,255,272
	(1)				(2)		(3)	(3)	(3)	

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

Notes:
(1) Fiscal Year 2017 net position was restated for the implementation of GASB Statement No. 75 which reduced net position by $2,058,806.

(2) Fiscal Year 2021 the Downtown Parking Fund net position of $725,872 was reclassified from business-type activities to governmental activities.

(3) Fiscal Year 2025 the town discovered that several banks within the town were sending bank franchise tax to Fairfax County for several years. Fairfax County returned the last three years of bank franchise tax to the town which resulted in a restatement of net position.

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

Table 2

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Expenses:										
Governmental activities:										
Legislative	$ 745,753	$ 706,048	$ 734,671	$ 551,445	$ 566,955	$ 521,966	$ 625,269	$ 674,807	$ 695,695	$ 595,926
Administration	3,304,796	3,017,512	3,093,764	3,716,194	3,423,026	3,253,326	3,715,691	3,866,263	5,707,995	5,656,213
Town attorney	606,758	612,209	612,349	837,152	1,001,496	822,127	897,125	1,243,907	1,091,720	1,269,448
Parks and recreation	5,012,560	4,879,803	5,280,626	4,649,822	3,312,797	4,024,864	4,434,240	4,678,985	5,071,686	5,834,757
Finance	1,492,031	1,710,148	1,501,718	1,585,696	1,588,972	1,462,517	1,654,259	1,976,186	1,880,391	2,125,056
Community development	1,672,244	1,699,935	1,896,791	2,205,030	2,318,909	1,578,231	2,474,048	2,368,395	2,492,111	3,225,552
Police	10,079,277	10,242,016	10,390,551	11,141,097	10,801,750	10,013,133	10,805,123	12,788,646	13,240,999	13,305,857
Public works	12,594,496	11,337,194	11,598,171	12,810,607	11,860,528	13,588,564	15,538,878	15,663,061	18,694,196	22,487,469
Interest	258,075	257,963	491,896	327,914	305,188	245,028	230,704	204,229	176,254	169,498
Total governmental activities	35,765,990	34,462,828	35,600,537	37,824,957	35,179,621	35,509,756	40,375,337	43,464,479	49,051,047	54,669,776
Business-type activities:										
Water and sewer	7,606,887	6,999,142	8,090,566	7,245,711	7,461,338	8,224,221	8,151,096	8,652,814	11,317,870	12,553,413
Golf course	1,559,749	1,572,043	1,503,005	1,516,523	1,684,876	1,633,991	1,899,298	2,197,969	2,266,575	2,360,259
Chestnut Grove cemetery	708,383	668,944	703,935	682,704	784,405	758,540	688,507	714,784	828,770	821,445
Downtown parking	111,913	133,985	110,788	61,674	101,603	-	-	-	-	-
Total business-type activities	9,986,932	9,374,114	10,408,294	9,506,612	10,032,222	10,616,752	10,738,901	11,565,567	14,413,215	15,735,117
Total government expenses	45,752,922	43,836,942	46,008,831	47,331,569	45,211,843	46,126,508	51,114,238	55,030,046	63,464,262	70,404,893
Program revenue:										
Governmental activities:										
Charges for services:										
Administration	41,075	35,976	6,892	3,205	8,485	52,176	20,273	27,280	23,269	2,389
Parks and recreation	2,767,730	2,767,916	2,873,136	1,399,288	472,882	1,603,104	1,800,092	1,750,028	2,171,915	2,320,251
Finance	571,700	588,333	588,333	583,894	583,894	-	-	-	-	-
Police	397,691	430,685	460,288	332,689	259,372	335,707	319,681	407,157	454,338	415,620
Public works	710,671	749,504	1,208,825	821,113	898,653	1,066,314	1,016,307	1,230,640	1,596,144	1,763,423
Operating grants and contributions:										
Community development	40,000	40,000	40,000	40,000	140,000	40,000	78,940	40,000	40,000	40,000
Police	707,588	864,195	745,352	2,530,623	3,208,911	778,758	1,191,527	672,074	795,060	1,233,170
Public works	1,178,505	1,046,761	1,080,054	1,194,716	1,234,256	1,145,267	1,266,252	1,419,895	1,557,638	1,527,383
Capital grants and contributions:										
Public works	2,168,349	2,765,821	2,658,343	4,945,608	2,167,274	10,904,664	11,323,314	17,625,379	9,304,088	4,496,322
Total governmental activities program revenue	8,583,309	9,289,191	9,661,223	11,851,136	8,973,727	15,925,990	17,016,386	23,172,453	15,942,452	11,798,558

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Water and sewer	$ 6,506,438	$ 6,935,184	$ 7,170,706	$ 6,900,460	$ 6,342,651	$ 6,861,887	$ 7,874,004	$ 9,057,751	$ 10,171,542	$ 10,826,821
Golf course	1,497,289	1,372,186	1,389,986	1,183,263	2,216,761	2,335,733	2,620,230	2,817,775	2,900,057	3,084,603
Chestnut Grove cemetery	890,165	967,731	905,155	821,964	1,144,677	1,298,235	1,146,629	1,164,493	1,467,144	1,073,974
Downtown parking	26,903	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
Water and sewer	-	-	-	-	-	130,228	84,070	1,237,668	7,128,714	3,803,405
Golf course	-	-	-	-	-	-	-	-	-	-
Chestnut Grove cemetery	-	-	-	-	-	-	-	167,517	-	175,851
Total business-type activities program revenues	8,920,795	9,275,101	9,465,847	8,905,687	9,704,089	10,626,083	11,724,933	14,445,204	21,667,457	18,964,654
Total government program revenues	17,504,104	18,564,292	19,127,070	20,756,823	18,677,816	26,552,073	28,741,319	37,617,657	37,609,909	30,763,212
Net (expense) revenue (1):										
Governmental activities	(27,182,681)	(25,173,637)	(25,939,314)	(25,973,821)	(26,205,894)	(19,583,766)	(23,358,951)	(20,292,026)	(33,108,595)	(42,871,218)
Business-type activities	(1,066,137)	(99,013)	(942,447)	(600,925)	(328,133)	9,331	986,032	2,879,637	7,254,242	3,229,537
Total government net expense	(28,248,818)	(25,272,650)	(26,881,761)	(26,574,746)	(26,534,027)	(19,574,435)	(22,372,919)	(17,412,389)	(25,854,353)	(39,641,681)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	11,218,438	11,416,010	11,690,750	12,255,705	12,837,288	12,868,724	13,723,835	13,914,320	14,004,007	15,306,704
Business license	5,569,516	5,732,161	4,930,755	5,871,507	6,786,720	5,881,836	6,523,651	7,146,880	5,949,145	6,913,491
Transient occupancy	2,199,410	2,286,397	2,345,943	1,607,031	855,309	1,512,110	1,681,394	2,053,220	2,106,052	2,166,598
Meals	2,215,677	2,266,761	2,308,551	2,975,487	2,876,751	3,590,406	4,203,292	4,401,059	4,549,985	5,434,680
Local sales	1,798,728	1,818,023	1,871,909	1,897,945	2,033,030	2,326,918	2,391,096	2,666,736	2,806,121	2,930,443
Other local taxes	2,393,966	2,361,383	2,293,183	2,127,774	2,154,418	2,507,525	2,638,077	2,649,575	2,401,602	2,198,100
Revenues not restricted to specific programs	93,362	102,243	66,330	58,203	73,470	70,798	72,926	75,114	77,368	79,686
Intergovernmental, non-categorical aid	2,067,279	1,583,697	1,482,539	1,460,834	1,304,101	1,281,151	1,248,438	1,182,849	1,178,678	1,150,716
Use of money and property	909,502	688,957	1,355,800	1,078,968	555,187	548,544	2,666,203	3,537,262	2,834,239	2,227,112
Gain on sale of capital assets	-	-	65,954	19,727	80,168	60,312	57,512	163,797	323,250	156,815
Miscellaneous and lease income	206,101	350,137	481,258	101,558	104,917	120,117	715,221	387,272	257,250	278,122
Transfers	(155,593)	(144,987)	(218,825)	(12,302)	5,196,589	71,568	(7,345)	(40,903)	(15,567)	(30,564)
Total governmental activities	28,516,386	28,460,782	28,674,147	29,442,437	34,857,948	30,840,009	35,914,300	38,137,181	36,472,130	38,811,903

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Intergovernmental, non-categorical aid	$ -	$ -	$ -	$ 449,725	$ 14,220	$ 1,373	$ -	$ -	$ 250,000	$ 74,580
Use of money and property	68,405	132,979	369,224	224,571	22,505	60,622	630,914	930,910	1,018,072	1,019,457
Gain on sale of capital assets	6,370	33,556	12,904	10,800	-	60,760	20,079	93,750	20,126	28,813
Miscellaneous	511,630	582,445	639,807	564,904	562,910	611,448	628,531	168,959	190,096	192,194
Transfers	155,593	144,987	218,825	12,302	(5,196,589)	(71,568)	7,345	40,903	15,567	30,564
Total business-type activities	741,998	893,967	1,240,760	1,262,302	(4,596,954)	662,635	1,286,869	1,234,522	1,493,861	1,345,608
Total primary government	29,258,384	29,354,749	29,914,907	30,704,739	30,260,994	31,502,644	37,201,169	39,371,703	37,965,991	40,157,511
Changes in net position:										
Governmental activities	1,333,705	3,287,145	2,734,833	3,468,616	8,652,054	11,256,243	12,555,349	17,845,155	3,363,535	(4,059,315)
Business-type activities	(324,139)	794,954	298,313	661,377	(4,925,087)	671,966	2,272,901	4,114,159	8,748,103	4,575,145
Total primary government	$ 1,009,566	$ 4,082,099	$ 3,033,146	$ 4,129,993	$ 3,726,967	$ 11,928,209	$ 14,828,250	$ 21,959,314	$ 12,111,638	$ 515,830
							(2)	(2)	(2)	

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

Notes:
(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.

(2) Fiscal Year 2025 the town discovered that several banks within the town were sending bank franchise tax to Fairfax County for several years. Fairfax County returned the last three years of bank franchise tax to the town which resulted in a restatement of net position.

TOWN OF HERNDON, VIRGINIA **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General Fund:										
Nonspendable	$ 338,093	$ 252,186	$ 211,510	$ 166,659	$ 258,029	$ 354,739	$ 289,246	$ 335,367	$ 263,480	$ 241,582
Restricted	3,228	310,000	-	2,224	1,095,266	1,097,996	1,053,197	-	-	-
Committed	1,200,000	1,400,000	-	-	-	-	-	-	-	-
Assigned	2,859,002	2,869,397	5,581,134	5,338,176	6,114,606	10,606,684	11,541,956	13,329,127	14,054,019	13,630,209
Unassigned	9,345,836	10,196,779	10,537,670	13,293,488	19,560,379	17,283,627	* 17,930,955	* 20,508,664	* 19,172,695	18,304,415
Total General Fund	$ 13,746,159	$ 15,028,362	$ 16,330,314	$ 18,800,547	$ 27,028,280	$ 29,343,046	$ 30,815,354	$ 34,173,158	$ 33,490,194	$ 32,176,206
All Other Governmental Funds:										
Nonspendable	$ 25,000	$ 25,000	$ 25,000	$ -	$ -	$ 5,000	$ 5,000	$ -	$ -	$ 5,396
Restricted	1,764,513	2,132,077	6,073,939	6,293,607	6,353,031	6,307,965	3,668,703	3,896,236	3,631,646	3,692,251
Assigned	6,510,193	6,335,363	6,944,452	5,308,565	4,640,086	2,955,830	5,768,212	5,640,429	6,202,446	4,184,325
Unassigned	(330,872)	(206,498)	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 7,968,834	$ 8,285,942	$ 13,043,391	$ 11,602,172	$ 10,993,117	$ 9,268,795	$ 9,441,915	$ 9,536,665	$ 9,834,092	$ 7,881,972

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

Notes:
(*) 2022 - 2024 Unassigned Fund Balance was restated due to subsequent collection of past year's bank franchise tax.

TOWN OF HERNDON, VIRGINIA **Table 4**

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenues:										
General property taxes	$ 11,214,419	$ 11,367,365	$ 11,691,186	$ 12,241,266	$ 12,822,398	$ 12,914,409	$ 13,805,589	$ 13,931,052	$ 14,052,877	$ 15,324,248
Other local taxes	14,177,297	14,463,451	13,750,341	14,212,059	14,562,162	15,128,514	17,468,036	18,692,471	17,766,668	19,837,346
Permits, privilege fees and regulatory licenses	559,488	603,773	1,057,412	585,191	457,719	613,968	572,280	791,911	1,147,673	1,196,084
Fines and forfeitures	423,335	452,965	485,008	353,593	281,512	359,468	342,056	430,153	478,568	438,033
Use of money and property	909,502	688,957	1,355,800	1,078,968	555,187	548,544	2,666,203	3,537,262	2,834,239	2,227,112
Charges for services	3,599,406	3,619,194	3,662,069	2,248,267	1,525,312	2,157,122	2,356,037	2,268,154	2,700,209	2,954,742
Miscellaneous	206,101	350,137	258,073	51,691	9,985	58,915	400,765	231,752	83,734	142,745
Intergovernmental	6,161,721	6,300,473	6,006,287	10,171,781	8,054,541	14,149,839	14,738,259	21,310,408	12,872,048	8,440,101
Total revenues	37,251,269	37,846,315	38,266,176	40,942,816	38,268,816	45,930,779	52,349,225	61,193,163	51,936,016	50,560,411
Expenditures:										
Legislative	698,951	699,202	713,209	500,752	507,091	507,879	613,312	653,438	687,290	571,382
Administration	3,131,313	2,863,707	3,006,360	2,978,610	2,775,022	3,111,207	3,357,954	3,583,077	4,226,822	5,380,564
Town attorney	476,844	489,362	471,179	676,293	726,639	776,886	833,754	1,227,454	1,139,896	1,302,403
Parks and recreation	4,288,848	4,449,527	4,675,180	3,934,039	2,665,348	3,569,187	3,961,843	4,039,609	4,462,589	5,136,215
Finance	1,518,192	1,716,122	1,532,617	1,508,139	1,477,878	1,517,999	1,646,904	1,993,944	1,957,301	2,178,583
Community development	1,686,329	1,736,736	1,947,330	2,102,628	1,912,361	2,019,189	2,671,606	2,613,920	2,868,894	3,348,040
Police	9,603,136	10,074,661	10,222,766	10,328,678	9,849,301	9,730,969	10,601,772	12,345,300	12,519,963	13,371,010
Public works	10,735,437	10,239,065	9,767,767	10,432,212	9,225,472	11,022,952	13,122,731	12,884,499	14,573,677	16,800,725
Grants	74,628	151,977	69,523	84,490	278,570	43,525	8,363	41,746	140,360	59,055
Non-departmental				457,223	377,676	58,646	68,781	(8,515)	1,276,626	(41,728)
Capital outlay	3,040,310	3,109,930	1,755,189	5,220,582	1,522,495	12,201,731	13,322,378	17,524,766	7,872,517	4,773,052
Debt service:										
Principal	1,090,629	1,256,739	1,344,287	1,189,054	5,877,930	1,015,683	1,236,103	1,293,277	1,163,440	1,163,067
Interest and fiscal charges	283,733	283,989	457,264	558,394	396,744	261,940	247,829	221,686	190,430	183,850
Total expenditures	36,628,350	37,071,017	35,962,671	39,971,094	37,592,527	45,837,793	51,693,330	58,414,201	53,079,805	54,226,218
Excess of revenues over (under) expenditures	622,919	775,298	2,303,505	971,722	676,289	92,986	655,895	2,778,962	(1,143,789)	(3,665,807)
Other financing sources (uses):										
Transfers in	1,535,807	1,335,013	827,525	234,281	1,816,456	819,463	2,461,548	316,384	84,190	820,284
Transfers out	(1,691,400)	(1,480,000)	(1,046,350)	(246,583)	(141,416)	(747,895)	(2,468,893)	(357,287)	(99,757)	(850,848)
Issuance of debt	-	969,000	3,686,266	-	-	1,538	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	5,087,915	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of property	-	-	65,954	19,727	84,502	78,731	306,273	205,470	323,250	156,815
Issuance of leases and subscriptions	-	-	-	-	-	-	86,887	56,422	277,053	138,071
Insurance recoveries	-	-	222,501	49,867	94,932	61,202	314,456	155,520	173,516	135,377
Total other financing sources (uses), net	(155,593)	824,013	3,755,896	57,292	6,942,389	213,039	700,271	376,509	758,252	399,699
Net changes in fund balances	$ 467,326	$ 1,599,311	$ 6,059,401	$ 1,029,014	$ 7,618,678	$ 306,025	$ 1,356,166	$ 3,155,471	$ (385,537)	$ (3,266,108)
Total debt service	$ 1,374,362	$ 1,540,728	$ 1,801,551	$ 1,747,448	$ 6,274,674	$ 1,277,623	$ 1,483,932	$ 1,514,963	$ 1,353,870	$ 1,346,917
Total expenditures	$ 36,628,350	$ 37,071,017	$ 35,962,671	$ 39,971,094	$ 37,592,527	$ 45,837,793	$ 51,693,330	$ 58,414,201	$ 53,079,805	$ 54,226,218
Less: capital outlay	(3,370,996)	(3,752,903)	(1,678,206)	(5,293,568)	(1,322,688)	(11,909,025)	(13,137,562)	(16,551,980)	(7,750,428)	(6,161,110)
Noncapital expenditures	$ 33,257,354	$ 33,318,114	$ 34,284,465	$ 34,677,526	$ 36,269,839	$ 33,928,768	$ 38,555,768	$ 41,862,221	$ 45,329,377	$ 48,065,108
Debt service as a percentage of noncapital expenditures	4.13%	4.62%	5.25%	5.04%	17.30%	3.77%	3.85%	3.62%	2.99%	2.80%
							(1)	(1)	(1)	

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

Note:
(1) Fiscal Year 2025 the town discovered that several banks within the town were sending bank franchise tax to Fairfax County for several years.
Fairfax County returned the last three years of bank franchise tax to the town which resulted in a restatement of net position.

TOWN OF HERNDON, VIRGINIA **Table 5**

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Property	Business License	Meals	Transient Occupancy	Local Sales	Bank Franchise		Motor Vehicle	Cigarette	Consumer Utility and Consumption	Other (1)	Total
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	768,041	*	430,872	175,432	870,086	263,094	28,327,342
2023	13,805,589	6,460,183	4,347,841	1,920,100	2,391,096	895,286	*	466,540	167,255	894,923	214,074	31,562,887
2024	13,931,052	7,195,459	4,418,731	2,059,066	2,666,736	896,044	*	490,464	154,917	893,804	214,333	32,920,606
2025	14,052,877	5,937,342	4,515,554	2,106,052	2,806,120	699,947		457,518	146,557	903,211	194,367	31,819,545
2026	15,324,248	6,915,898	5,434,680	2,166,598	2,930,443	663,274		474,931	134,110	923,668	193,744	35,161,594
Change 2017-2026	36.65%	24.17%	145.28%	-1.49%	62.92%	64.70%		10.03%	-53.51%	5.35%	-50.87%	38.48%

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

Notes:

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

(*) Restated revenue for prior years due to collections from banks not previously filed.

TOWN OF HERNDON, VIRGINIA **Table 6**

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Unaudited)

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
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%
2025	3,596,182,790	2,024,700,490	141,086,314	315,345,270	6,077,314,864	5,761,969,594	4.6%	0.2700	5,761,969,594	100.00%
2026	3,791,399,520	2,004,438,230	135,233,483	340,105,110	6,271,176,343	5,931,071,233	2.9%	0.2700	5,931,071,233	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 **Table 7**
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
Assessment Tax Year	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2017	0.265	-	1.1300	4.57	1.395	4.57
2018	0.265	-	1.1500	4.57	1.415	4.57
2019	0.265	-	1.1500	4.57	1.415	4.57
2020	0.265	-	1.1500	4.57	1.415	4.57
2021	0.265	-	1.1400	4.57	1.405	4.57
2022	0.265	-	1.1100	4.57	1.375	4.57
2023	0.260	-	1.0950	4.57	1.355	4.57
2024	0.260	-	1.1250	4.57	1.385	4.57
2025	0.270	-	1.1225	4.57	1.393	4.57
2026	0.270	-	1.1200	4.57	1.390	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 **Table 8**
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

	2026			2017		
Taxpayer	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	$ 83,468,370	1	1.41 %	$ -	-	- %
Westerly at Worldgate Owner LLC	83,276,670	2	1.40	-	-	-
USGBF 499 Grove Street LLC	77,063,020	3	1.30	-	-	-
USGBF 399 Grove Street LLC	63,478,480	4	1.07	-	-	-
Dulles Suites LLC	52,887,440	5	0.89	-	-	-
MIVPO LLC	48,763,200	6	0.82	55,179,320	6	1.28
Stuart Woods II Project LLC	45,703,340	7	0.77	-	-	-
Stuart Woods Project LLC	45,695,250	8	0.77	-	-	-
VanMetre Dulles Apartments LLC	45,498,560	9	0.77	-	-	-
661 Dulles Park Ct Owner LLC	44,386,230	10	0.75	-	-	-
BP New Dominion Technology	-	-	-	75,120,260	1	1.74
New Dominion	-	-	-	67,316,580	2	1.56
GSG Residential Westerly AT	-	-	-	64,754,620	3	1.50
Worldgate Centre Owner LLC	-	-	-	64,097,630	4	1.48
GSG Residential Townes AT	-	-	-	61,435,150	5	1.42
Inland America Herndon Worldgate LLC	-	-	-	51,765,990	7	1.20
RREEF America Reit II Corp VVV	-	-	-	51,107,470	8	1.18
Washreit Monument II LLC	-	-	-	43,991,250	9	1.02
CLF Herndon LLC	-	-	-	40,270,700	10	0.93
Total	$ 590,220,560		9.95 %	$ 575,038,970		13.31 %

Sources:
County of Fairfax Department of Tax Administration (Real Estate Division)
Town of Herndon Finance Department (2017 ACFR)

TOWN OF HERNDON, VIRGINIA **Table 9**

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

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
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%	14,500	11,449,420	100.00%
2019	11,965,659	11,794,199	98.57%	169,849	11,964,048	99.99%
2020	12,534,612	12,388,867	98.84%	144,134	12,533,001	99.99%
2021	12,704,453	12,617,454	99.32%	85,310	12,702,764	99.99%
2022	13,713,041	13,529,086	98.66%	181,433	13,710,519	99.98%
2023	13,865,905	13,526,299	97.55%	331,195	13,857,494	99.94%
2024	14,000,849	13,627,287	97.33%	338,492	13,965,779	99.75%
2025	15,176,389	14,767,625	97.31%	277,321	15,044,946	99.13%

Source:
Town of Herndon Finance Department

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

TOWN OF HERNDON, VIRGINIA **Table 10**

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

	Governmental Activities				Business-Type Activities									
Fiscal Year June 30,	General Obligation Bonds	Leases	Subscriptions	Notes	Revenue Bonds	Financed Purchase	Fairfax Water Agreements	Leases	Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Bonded Debt Outstanding General Obligation Bonds	Percentage of Actual Taxable Value of Property	General Bonded Debt Outstanding Debt Per Capita
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	-	2,916,045	18,846	20,632,627	0.96	857	10,125,610	19%	421
2023	9,125,112	52,708	373,679	-	7,318,437	300,000	1,966,344	12,802	19,149,082	0.83	784	9,125,112	17%	374
2024	8,097,534	23,370	186,897	-	7,139,357	240,000	1,801,716	6,704	17,495,578	0.71	716	8,097,534	15%	331
2025	7,163,368	80,917	169,470	-	6,839,864	180,000	1,640,038	2,196	16,075,853	0.57	620	7,163,368	12%	276
2026	6,237,924	61,522	129,879	-	6,506,648	120,000	1,468,679	21,383	14,546,034	0.52	593	6,237,924	11%	254

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 in 2021.

TOWN OF HERNDON, VIRGINIA **Table 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2026
(Unaudited)

Governmental Unit	Debt Outstanding	Percentage Applicable (1)	Share of Overlapping Debt (2)
Fairfax County, Virginia	$ 3,065,754,986	1.78%	$ 54,620,662
Town Direct Debt (3)	6,429,325	100%	6,429,325
Total direct and overlapping debt	$ 3,072,184,311		$ 61,049,987

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
Last Ten Fiscal Years
(Unaudited)

Table 12

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Debt limit	$ 419,656,989	$ 432,053,536	$ 451,779,464	$ 473,004,144	$ 479,413,249	$ 517,473,183	$ 533,304,040	$ 538,494,221	$ 562,088,328	$ 579,583,775
Total debt applicable to limit	10,332,068	10,031,639	12,354,914	10,205,637	11,106,523	10,205,637	9,551,499	8,307,802	7,413,755	6,429,325
Legal debt margin	$ 409,324,921	$ 422,021,897	$ 439,424,550	$ 462,798,507	$ 468,306,726	$ 507,267,546	$ 523,752,541	$ 530,186,419	$ 554,674,573	$ 573,154,450
Total debt applicable to the limit as a percentage of debt limit	2.46%	2.32%	2.73%	2.16%	2.32%	1.97%	1.79%	1.54%	1.32%	1.11%

Legal Debt Margin Calculation for Fiscal Year 2026:

Assessed value of real estate	$ 5,795,837,750
Debt limit (10% of assessed value) (1)	579,583,775
Total Debt applicable to limit:	6,429,325
Legal debt margin	$ 573,154,450

Summary of Outstanding Governmental Debt:

2018B General obligation bonds	$ 3,575,000
2020A Refunding bonds (2010 GO & 2014 refund)	2,563,351
Deferred bond premiums	99,573
Leases	61,522
Subscriptions	129,879
Total debt applicable to limit	$ 6,429,325

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 **Table 13**

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

(Unaudited)

	Water and Sewer Fund						
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2025	11,142,739	9,748,130	1,394,609	306,184	323,328	629,512	2.22
2026	11,672,861	10,819,832	853,029	297,175	306,743	603,918	1.41

	Golf Course Fund						
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2025	3,138,102	2,009,776	1,128,326	125,641	9,835	135,476	8.33
2026	3,287,253	2,045,139	1,242,114	113,905	6,523	120,428	10.31

	Chestnut Grove Cemetery Fund						
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2025	1,701,453	755,687	945,766	93,852	6,059	99,911	9.47
2026	1,304,241	751,493	552,748	134,310	7,679	141,989	3.89

	Downtown Parking Fund						
Fiscal Year June 30,	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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-8 and A-9

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 **Table 14**
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Calendar Year	Population (1)	Per Capita Personal Income (2)	Personal Income (000) (1) * (2)	Public School Enrollment (3)	Unemployment Rates (%) (4)
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
2025	25,935	108,855	2,823,154	181,701	3.7
2026	24,529	114,330	2,804,401	181,091	3.6

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 2024

(3) Actual enrollment is obtained from FCPS Approved Budget Book at www.fcps.edu pg.16

(4) Virginia Employment Commission, www.virginiaworks.com Employment>Local Area Unemployment Statistics (LAUS) - Fairfax County June (Unadjusted)

TOWN OF HERNDON, VIRGINIA **Table 15**
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

	2026			2017	
Employer	Number of Employees (1)	Rank	Percentage of Total Town Employment (2)	Number of Employees (3)	Rank
Serco	500-749	1	2.71%	-	-
Northwest Federal Credit Union	500-749	2	2.63%	249-499	5
Amazon Web Services	250-499	3	2.16%	-	-
Boeing Corporation	250-499	4	1.40%	100-250	10
Peraton	250-499	5	1.31%	-	-
Town of Herndon	250-499	6	1.20%	249-499	7
Smartronix Inc	100-249	7	0.92%		
Shorepoint LLC	100-249	8	0.90%	-	-
Everfox Holdings LLC	100-249	9	0.84%	-	-
Karsun Solutions	100-249	10	0.57%	-	-
Amazon Corporation LLC	-	-	-	Over 500	1
Booz Allen Hamilton Inc.	-	-	-	Over 500	2
Fannie Mae	-	-	-	Over 500	3
Harris Corporation	-	-	-	Over 500	4
Navy Federal Credit Union	-	-	-	249-499	6
Airline Pilots Association	-	-	-	100-250	8
Medical Transportation Services	-	-	-	100-250	9

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 2017 Annual Comprehensive Financial Report

Note:

Percentage of total town employment for fiscal year 2017 is not available.

TOWN OF HERNDON, VIRGINIA
FULL-TIME TOWN GOVERNMENT EQUIVALENT EMPLOYEES BY FUNCTION / PROGRAM **Table 16**
Last Ten Fiscal Years
(Unaudited)

Function	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Legislative	3.9	3.1	2.9	3.4	3.6	3.2	2.9	3.0	2.9	2.7
Administration:										
Communications & economic engage office	2.8	2.9	3.0	2.7	2.8	2.8	2.7	2.2	2.5	3.1
Town manager	3.0	3.0	2.9	1.4	2.0	2.0	2.0	2.0	1.0	2.0
Human resources	3.7	3.8	3.7	3.8	3.8	4.3	4.6	4.8	4.8	5.5
Information services	5.5	5.9	6.3	6.2	5.2	5.4	6.1	6.2	6.6	6.7
Town attorney	2.7	2.7	2.8	4.1	4.6	4.6	4.6	4.6	4.6	4.7
Parks and recreation:										
Administration	5.8	5.8	5.8	5.6	5.6	5.4	5.2	5.0	5.6	5.4
Recreation programs	15.9	16.4	15.6	13.3	4.6	8.2	10.1	11.0	11.7	12.2
Community center operations	16.4	15.7	17.3	15.3	8.1	8.3	8.7	8.8	8.5	8.9
Aquatics programs and operations	13.4	13.9	14.0	11.1	4.8	8.8	10.3	11.0	11.8	12.5
Park operation and development	1.5	2.2	2.6	2.1	1.3	1.3	1.2	1.5	1.7	1.6
Finance	10.3	11.6	11.4	11.7	11.9	11.9	12.0	12.7	11.9	12.4
Community development	15.5	14.5	16.3	16.8	15.6	16.1	16.7	16.7	16.0	15.8
Police:										
Field operations	47.1	42.2	42.3	42.9	38.6	36.0	35.4	37.3	39.5	38.3
Support services	35.0	35.3	34.4	32.3	34.4	35.2	38.1	39.3	36.4	39.2
Public works:										
Operations integration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8	2.6
Stormwater	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	3.5
Administration	6.5	6.5	6.3	5.9	6.0	7.3	7.7	7.7	8.1	7.3
Engineering	4.9	4.8	5.3	5.1	6.0	6.3	7.0	7.0	7.0	5.1
Program management	1.3	1.8	1.8	2.0	2.0	2.2	2.5	2.4	1.8	3.5
Building inspections	4.9	4.6	4.3	4.9	4.3	5.0	5.0	5.0	4.9	4.3
Building maintenance	7.0	7.0	6.8	6.0	4.4	5.1	5.9	7.1	5.5	5.6
Grounds maintenance	12.6	11.7	11.7	11.6	11.9	11.0	10.5	9.9	9.1	8.8
Street maintenance	10.2	9.7	8.7	8.9	9.3	8.4	7.9	8.8	8.6	8.2
Refuse/recycling	15.2	13.9	14.5	14.1	14.9	14.5	15.8	16.1	15.3	16.3
Vehicle and equipment replacement	10.0	8.9	8.9	8.0	7.6	8.5	8.6	6.5	5.2	5.0
Traffic engineering	3.1	3.0	3.0	2.6	3.0	2.8	2.2	2.7	2.8	3.0
Right-of-way inspections	3.0	3.0	3.0	2.8	3.0	3.0	2.4	2.3	3.0	3.0
Subtotal Governmental Activities	261.2	253.9	255.6	244.6	219.3	227.6	236.1	241.6	242.0	247.2

TOWN OF HERNDON, VIRGINIA
FULL-TIME TOWN GOVERNMENT EQUIVALENT EMPLOYEES BY FUNCTION / PROGRAM **Table 16**
Last Ten Fiscal Years **Page 2**
(Unaudited)

Function	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Water and Sewer:										
Customer service	4.3	3.1	2.9	2.9	2.4	2.8	2.2	2.9	3.0	2.9
Sewer service and maintenance	4.8	5.2	5.4	6.7	5.5	6.7	7.7	7.8	8.2	8.9
Water supply and maintenance	7.4	6.7	5.2	4.4	4.7	5.0	5.8	6.2	7.5	11
Golf Course:										
Maintenance	7.3	6.7	6.5	6.4	7.4	7.4	6.7	7.4	7.5	7.1
Clubhouse	5.5	5.5	5.1	4.5	6.0	5.1	6.3	6.4	6.6	6.8
Chestnut Grove Cemetery:										
Administration	4.7	4.7	5.0	4.4	4.8	4.9	4.6	4.8	4.8	4.7
Subtotal Business-type Activities	34.0	31.9	30.1	29.3	30.8	31.9	33.3	35.5	37.6	41.4
Total	295.2	285.8	285.7	273.9	250.1	259.5	269.4	277.1	279.6	288.6

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

TOWN OF HERNDON, VIRGINIA **Table 17**

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Police:										
Calls for service (1)	21,967	24,253	23,246	23,102	22,332	24,020	25,518	28,590	26,400	26,933
Human Resources:										
Recruitments requests (2)	43	67	64	83	115	138	193	207	124	178
Building safety:										
Total building permits (3)	237	298	280	193	217	469	166	290	218	640
Total inspections performed (3)	3,433	3,340	4,460	3,096	2,217	2,293	2,393	2,560	2,528	3,785
Public service:										
Refuse collected (tons) (1)	6,537	6,309	6,358	6,179	6,801	5,357	5,354	5,824	5,203	4,909
Recycle collected (residential - tons) (1)	1,752	1,803	1,789	1,633	1,622	1,381	1,364	1,332	1,325	1,285
Parks and Recreation:										
Class and program attendance (4)	13,700	12,300	13,700	8,500	1,200	5,200	6,600	7,214	8,813	10,420
Herndon Festival attendance (4)	81,500	40,300	62,000	0	0	30,000	34,276	0	0	0
Water and sewer:										
New utility accounts (3)	26	75	3	3	2	3	0	33	36	17
Average daily water consumption (mgd) (3)	2.24	2.28	2.21	2.19	1.99	2.02	2.02	2.02	2.02	1.95
Average daily sewage treatment (mgd) (3)	2.67	2.88	3.36	3.02	2.95	2.86	2.82	2.59	2.75	2.52
Golf Course:										
Rounds played (18 and 9 hole) (5)	33,029	31,369	31,401	27,301	47,397	47,846	47,922	52,378	48,363	49,578
Cemetery:										
Interment rights for sites sold (1)	148	171	148	152	199	231	161	190	232	177
Interments performed (1)	133	161	140	153	175	183	162	168	189	162

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 **Table 18**

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Police:										
Stations (1)	1	1	1	1	1	1	1	1	1	1
Vehicles (1)	47	47	47	50	47	45	50	60	56	54
Refuse Collection:										
Collection trucks (2)	10	10	10	17	16	16	15	14	14	14
Other public works:										
Vehicles/equipment maintained (2)	533	567	552	514	553	527	506	431	490	455
Streets:										
Primary (miles) (2)	31.3	41.6	41.6	41.6	41.6	41.6	41.6	41.2	41.2	41.2
Secondary (miles) (2)	98.4	88.4	88.4	88.4	88.4	88.4	88.4	88.5	88.5	88.5
Parks & Recreation:										
Parks - number of acres (3)	137	137	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	84.9	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0
Storage capacity (million gallons) (2)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Wastewater:										
Sanitary sewers (miles) (2)	81.8	81.9	81.9	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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TOWN OF Herndon VIRGINIA

www.herndon-va.gov

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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, 2026, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 30, 2026

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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.**

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town'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
October 30, 2026

TOWN OF HERNDON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2026

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

TOWN OF HERNDON, VIRGINIA

Schedule of Findings and Responses
June 30, 2026

A – FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B – FINDINGS – COMMONWEALTH OF VIRGINIA

None.