TOWN OF Herndon



Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2025

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TOWN OF HERNDON, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2025

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 29, 2025

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, 2025. 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, L.L.P., 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, 2025, 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 located in the northwest quadrant of Fairfax County. Part of the Washington DC Metropolitan Area, Herndon is approximately 23 miles west of the city, accessible via Metrorail's Silver Line, and two miles east of Washington Dulles International Airport. The town has a land area of 4.25 square miles. A rural dairy outpost at its founding, Herndon is now home to 24,935 residents. The population of the town is expected to continue to increase due to higher-density transit-oriented residential growth in the area adjacent to the Herndon Metro station and to obsolete office building conversions. While the timing of expected redevelopment is never certain, based on current available data and pipeline residential projects, the town's population is expected to increase to approximately 31,000 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 via direct mail, and public hearings are held to seek public input prior to Town Council adoption of the budget.

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

Local Economic Conditions, 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 U.S. Census Bureau data, the town's median household income in 2023 was $141,418. As of August 2025, current unemployment rates are 4.3 percent nationally, 2.8 percent for the Commonwealth of Virginia and 3.7 percent for Fairfax County.

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

The overall economic 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, particularly office, may face near-term softness. The town continues to attract interest in infill residential development and the redevelopment of older commercial properties. A Metrorail Silver Line station opened in Herndon in 2022, spurring strong redevelopment interest in the areas adjacent to the new station. Several properties are in various stages of design and redevelopment approval.

Additionally, the town is committed to fostering entrepreneurship and continues its partnership with George Mason University through ongoing investment in the Mason Enterprise Center - Herndon. According to the Center's semi-annual report (January-June 2025), the team of roughly 20 advisors counseled and trained more than 100 small businesses in and around the Town of Herndon. This support translated into the creation of 24 new jobs, 15 of which were in the 20170-zip code. Notably, approximately 76% of the businesses served were minority-owned (55% in 20170) and 44% were women-owned (52% in 20170), underscoring the Center's role in advancing inclusive economic growth.

A long-range economic goal for the town is to continue to attract new businesses and encourage existing business expansion within the town. Located 23 miles west of Washington D.C., in what is often referred to as the "high-tech corridor," Herndon benefits from its strategic position along the Silver Line of the Metrorail system and its close proximity to the Washington Dulles International Airport. These regional connections, combined with access to the nation's capital, provide a strong foundation for continued business growth and investment.

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

Comprehensive Plan:

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, including the town's future transportation plan, public and private land use plan, stormwater and Chesapeake Bay Preservation actions, parks and other town facilities and services. The Comprehensive Plan 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 is kicking off in the last quarter of calendar year 2025, initiating 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, mobility, infrastructure, and economic development decisions for the next 25 years.

In addition to the comprehensive plan, the town has several small area plans that provide detailed planning policies for critical areas within the town that face redevelopment pressure or to encourage redevelopment in aging or underdeveloped commercial areas. The most recent small area plan provides planning and development policies for 94 acres, known as the Transit Related Growth Area (TRG), located in proximity to the Herndon Metro Station. In conjunction with the Herndon Transit-Oriented Core Area Plan (HTOC) for properties immediately adjacent to the Metro station, the two small area plans address the redevelopment of privately owned nonresidential properties located near the Herndon Metro station.

Strategic Plan:

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.

The Plan is divided into five focus areas directly related to the Town Council's Vision, and provides a framework for action by the town's governing body, administration and community partners:

1. Strong Fiscal Stewardship
   Herndon is a reliable and responsible steward of public funds, committed to ensuring financial sustainability through sound long-term planning and budget practices, and maintaining a strong capital reserve. The Town maintains and promotes high standards as well as a strong, well-managed financial position.

2. Secure and Interconnected Community
   Residents, businesses, and visitors feel safe at all hours, and if they require help, the response from well-trained staff is timely, courteous, and professional. People feel included, welcomed, and safe. Herndon boasts a well-maintained, secure, and interconnected, multi-modal transportation network connecting the Town to the region through the use of innovative technology and initiatives. Town government takes a proactive and regional view of planning for safety, and emergency response and recovery

3. Environmental and Economic Sustainability
   Herndon is a business destination that promotes a balanced, integrated, and sustainable environmental and economic ecosystem that embraces and encourages entrepreneurship, innovation, and growth with a commitment to climate management and responsiveness.
   Herndon's business community is diverse, inclusive, and robust. There is a sustainable and vigorous mix of residential and commercial uses strategically located within the community. Small businesses are supported and nourish, and the distinctive character of the historic district and the historic downtown distinguish Herndon from surrounding communities and attract visitors that contribute to the tax base.

4. Good Governance
   Herndon's government provides effective and efficient community-centered services and programs that are focused on improving quality of life and are responsive to community and environmental evolution. Major policy decisions are considered by Town Council and are reflective of community engagement and informed by kinetically engaged information gathering. The community trusts that their government responsibly manages resources, is responsive to their needs, provides exceptional services, and equitably represents them.

5. Thriving Community
   Herndon is a Town that celebrates and promotes the diversity of our community and active engagement of all. Inclusivity is at the forefront, where Town services and programs are accessible by all, and thoughtful and meaningful engagement is welcomed across the community. The arts and cultural expression are promoted, and programs enriching the lives of our community are supported. Herndon is a resilient community that embraces its diverse fabric woven by many colors and textures of threads, each having the opportunity for its voice to be heard and embraced.

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 and 5,360 square feet of retail, with an anticipated delivery by early 2027. A future phase of the project includes the addition of 200,000 square feet of office space.

Development activity is also occurring in other areas of town. The Park Place project, which includes 85 new townhouses and 56 stacked residential condominiums, is under construction and is mostly occupied. Allowed as part of the Worldgate master plan, a redevelopment project is under site plan review at 13100 and 13150 Worldgate Drive, and includes 401 residential apartments, 49 townhouses, and 52 stacked residential condominiums. Both projects require demolition of existing office buildings and the associated net loss in office square footage. The town expects to continue receiving applications for development throughout town. This trend supports a forecast of pending rapid population growth and long-term changes in the land use mix.

In planning for the future, the town recently completed the community input portion of the town's first Roadway Safety Action Plan. The plan, supported by a federal grant, will address transportation safety and accessibility for all users, including pedestrians, bicyclists, drivers and transit riders. In addition, the recent study on affordable housing will likely result in town policy development to guide future affordable housing development in the town.

In addition, 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. Stormwater management initiatives include 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. During the fiscal year, the course maintained its designation as a "Certified Audubon Cooperative Sanctuary", with a focus on increasing wildlife habitat areas and reduced water and chemical usage.

Tree City USA – The Community Forestry Division of the Department of Community Development received a Tree City USA award from the National Arbor Day Foundation. This is the 36th 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, 2024. This is the 34th consecutive year that the town has achieved this honor. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. The town's budget documents for the fiscal year beginning July 1, 2025, 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, 2024. This was the 50th 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.

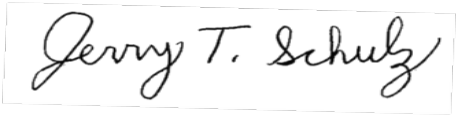
Respectfully submitted,



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

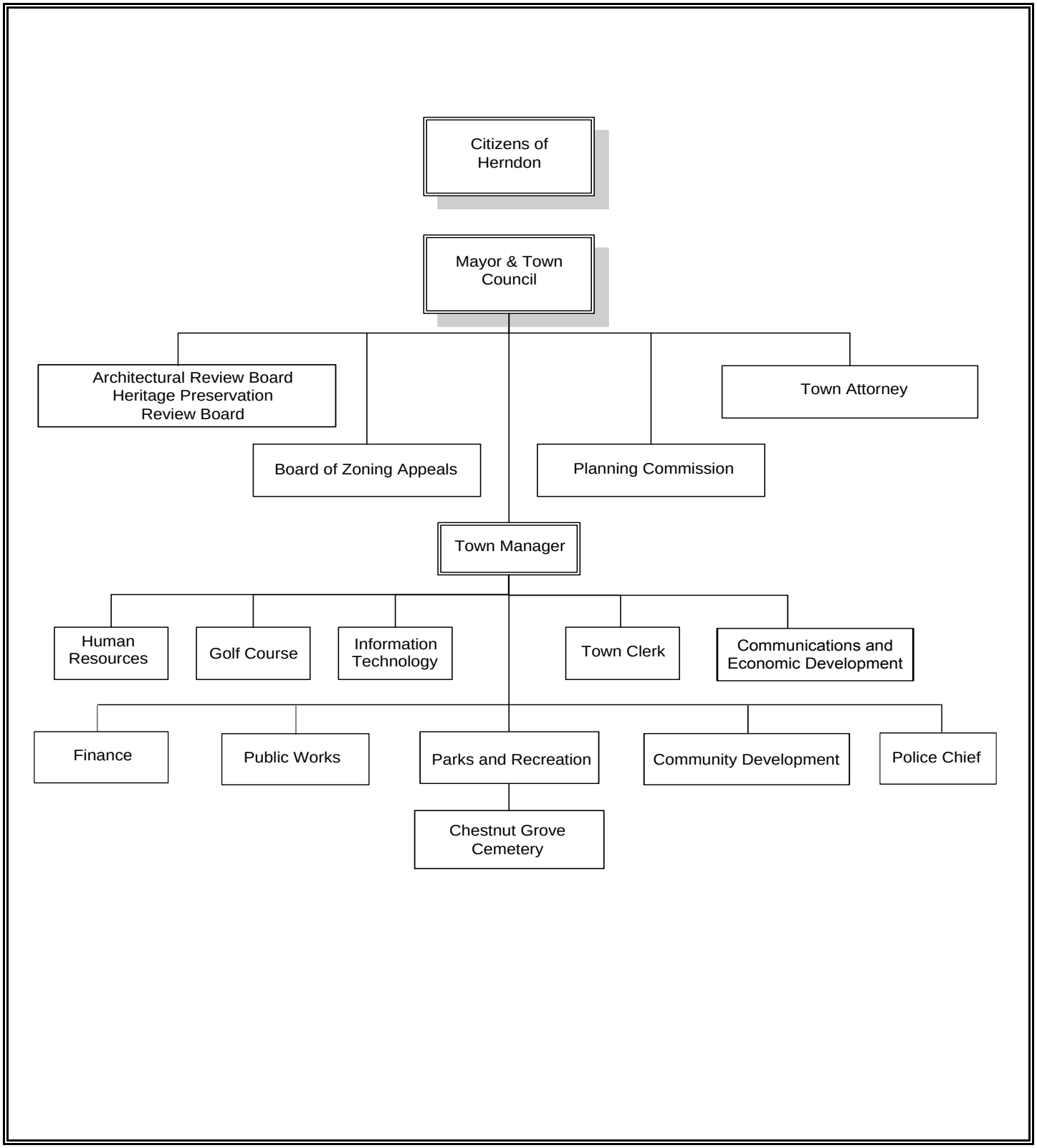
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

TOWN OF HERNDON, VIRGINIA
ORGANIZATION CHART



TOWN OF Herndon VIRGINIA

Annual Comprehensive Financial Report
Year Ended June 30, 2025

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
Scott Robinson	Acting Deputy Town Manager
Brent Heavner	Chief Communications Officer
Steve Pihonak	Chief of Police
Mike Mueller	General Manager
Elizabeth M. Gilleran	Director of Community Development
Page Kalapasev	Director of Information Technology
Tanya J. Kendrick	Director of Human Resources
Bob Williams	Director of Parks and Recreation
Scott Robinson	Director of Public Works
Marjorie Sloan	Director of Finance
Amanda Kertz	Town Clerk
Lesa J. Yeatts	Town Attorney

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

Prepared by the Department of Finance

TOWN OF Herndon VIRGINIA

www.herndon-va.gov

FINANCIAL SECTION

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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and American Rescue Plan Act Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. 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 town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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, 2024, and we expressed an unmodified opinion on those statements in our report dated November 18, 2024. The 2024 financial information, included in Exhibits A-12 and A-13, is provided for comparative purposes only.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025, 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 29, 2025

The following discussion and analysis of the Town of Herndon, Virginia's (town) financial activities is an overview of the town's financial performance for the fiscal year ended June 30, 2025. Please read it in conjunction with the transmittal letter located in the introductory section of this report and the town's basic financial statements which follow this management's discussion and analysis (MD&A).

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2025

- The town's total net position at the end of the current fiscal year is $188.7 million, which represents an increase of $12.1 million or 7% over the prior year. Of this amount, $62.2 million in unrestricted net position may be used to meet the town's ongoing obligations to citizens and creditors. See Table 1 for more information.

- The town's governmental activities net position increased by $3.4 million in fiscal year 2025 versus $17.8 million in fiscal year 2024 due to revenues exceeding expenses. The fiscal year 2025 increase was $14.2 million less than last year due to decreased program revenues of $7.2 million, decreased general revenues of $1.4 million, and increased total expenses of $5.6 million. See Table 2 for more information.

- For the town's business-type activities, net position increased by $8.7 million in fiscal year 2025 versus an increase of $4.1 million in fiscal year 2024. The fiscal year 2025 increase is primarily due to $6.2 million in availability fees received in the Water and Sewer Fund. Also contributing to the net position increase was favorable operating performance at Golf Course and Chestnut Grove Cemetery. See Table 2 for more information.

- As of the close of the current fiscal year, the town's governmental funds reported combined ending fund balances of $43.3 million, a decrease of $0.4 million from the previous fiscal year. This change was comprised of a decrease in the General Fund balance of $0.7 million, a decrease of $1.7 million in the Capital Projects Fund balance, offset by an increase of $1.9 million to other governmental fund balance and an increase in the ARPA Fund balance of $0.1 million. The General Fund balance decrease was driven by expenditures exceeding revenues due to $0.8 million in legal fees related to the downtown redevelopment project. The Capital Projects Fund balance decreased by $1.7 million, because the stormwater portion was transferred to the new Stormwater Management Fund. Other governmental fund balance increased by $1.9 million due to the $1.8 million transferred into the Stormwater Management Fund and a slight increase in the Cemetery Perpetual Care Fund assets. The ARPA Fund balance increased $0.1 million due to an increase in the amount assigned for subsequent year expenditures to finish the remaining projects in this fund. See Table 3 for more information.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund decreased $1.3 million to $19.2 million because expenditures exceeded revenues by $0.7 million and $0.6 million was assigned to the Capital Reserve Fund during the year. The General Fund's unassigned fund balance is available for spending at the town's discretion and represents approximately 43 percent of total General Fund expenditures and 44 percent of the total fund balance of the governmental funds. See Table 3 for more information.

- For the current fiscal year end, General Fund total revenues exceeded the amended budget by approximately $1.3 million. Other revenues, which include permits, charges for services, and interest on investments were the main reason revenues exceeded the amended budget with building permits from the 555 Herndon Parkway multifamily residential development being the largest driver. Total expenditures, other financing, and transfers were less than the amended budget amounts by $8.0 million, mostly due to $3.2 million of non-departmental expenditures related to the downtown redevelopment project not materializing during the fiscal year because the developer elected not to proceed with constructing the project. Also, operating departmental operations and maintenance expenditures were $3.7 million lower than budget due to delays in initiatives such the town's comprehensive plan, building and street maintenance. See Table 4 for more information.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2025 (Continued)

- The town's net capital assets increased by $4.3 million from the prior fiscal year, with new investments of $8.2 million coming mostly from two infrastructure improvement projects and two building projects that were completed by the end of the fiscal year. See Table 5 for more information.

- The town's total outstanding debt is $16.1 million, which is a decrease of $1.4 million, driven mainly by debt service payments during the normal course of business. See Table 6 for more information.

USING THE FINANCIAL SECTION OF THIS ANNUAL COMPREHENSIVE FINANCIAL REPORT

The financial section of this report has five components – independent auditors report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information. The MD&A is intended to serve as an introduction to the town's basic financial statements. The basic financial statements consist of three components - government-wide financial statements, fund financial statements, and notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide a broad overview of the town's finances, in a manner like private-sector business. The statements provide readers with an insight into short-term and long-term financial position for the town during the fiscal year.

The *Statement of Net Position* presents information on all the town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the town is improving or declining. In addition, non-financial factors, such as a change in the town's real estate assessment values or the condition of the town's facilities and infrastructure, should be considered in assessing the overall financial health of the town.

The *Statement of Activities* presents information showing how the town's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received or paid (accrual basis of accounting). Thus, certain revenues and expenses are reported in this statement for items that will result in cash flows for future periods (e.g., uncollected taxes and earned but unused employee annual leave).

Both government-wide financial statements divide the functions of the town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a substantial portion of their expenses through user fees and charges (business-type activities). The government-wide financial statements are divided as follows:

Governmental Activities - Many of the activities, programs and services traditionally identified with government are reported here. These activities and services are legislative, administration, town attorney, parks and recreation, finance, community development, police, and public works. These activities are financed primarily through property taxes, other local taxes, charges for services, and intergovernmental revenues (federal, state, and local grants).

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Business-type Activities – These activities are intended to recover all or a significant portion of their expenditures through charge for services or user fees. At the end of the fiscal year, the town has three business-type activities funds: the Water and Sewer Fund (provides customers with water distribution and sewer conveyance); the Golf Course Fund (provides customers with recreational golfing opportunities); the Chestnut Grove Cemetery Fund (operates and manages the Chestnut Grove Cemetery).

FUND FINANCIAL STATEMENTS

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

Governmental Funds – Most of the town's basic services are included in governmental funds which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances remaining at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the town's programs. The town's governmental funds include the General Fund, Capital Projects Fund, Stormwater Management Fund, American Rescue Plan Act (ARPA) Fund, and Chestnut Grove Cemetery Perpetual Care Fund.

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

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the section titled "Notes to the Financial Statements" of this report which immediately follows the basic financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position:

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

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 69,981	$ 77,065	$ 31,317	$ 24,273	$ 101,298	$ 101,338
Capital assets, net	115,114	113,480	26,924	24,258	142,038	137,738
Total assets	185,095	190,545	58,241	48,531	243,336	239,076
Deferred outflows of resources	4,045	2,500	493	322	4,538	2,822
Current and other liabilities	10,674	18,289	2,685	1,635	13,359	19,924
Non-current liabilities	14,729	15,687	9,551	10,133	24,280	25,820
Total liabilities	25,403	33,976	12,236	11,768	37,639	45,744
Deferred inflows of resources	19,211	17,906	2,285	1,620	21,496	19,526
Net Position:						
Net investment in capital assets	106,866	102,659	17,427	14,929	124,293	117,588
Restricted	2,140	2,055	89	92	2,229	2,147
Unrestricted	35,521	36,449	26,696	20,444	62,218	56,893
Total net position, as restated (Note 16)	$ 144,527	$ 141,163	$ 44,212	$ 35,465	$ 188,739	$ 176,628

Net position may serve over time as a useful indicator of the town's financial position. The town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $188.7 million, representing an increase of $12.1 million from the prior year. About 33 percent of the town's net position is unrestricted and available to meet the town's ongoing obligations to citizens and creditors.

The larger net position sub-component, labeled "Net investment in capital assets," reflects the town's investment in capital assets (e.g., land, infrastructure, buildings, improvements, machinery and equipment, intangible assets, and construction in progress), net of accumulated depreciation and amortization and outstanding debt associated with acquisitions. The town uses its capital assets to provide services to its citizens; consequently, these assets are not readily available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets would not likely be used to liquidate these liabilities.

Statement of Activities:

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

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

	Governmental Activities		Business-type Activities		Total	
Revenues:	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Program revenues:						
Charges for services	$ 4,246	$ 3,415	$ 14,539	$ 13,040	$ 18,785	$ 16,455
Operating grants and contributions	2,393	2,132	-	-	2,393	2,132
Capital grants and contributions	9,304	17,625	7,128	1,405	16,432	19,030
Total program revenues	15,943	23,172	21,667	14,445	37,610	37,617
General revenues:						
General property taxes	14,004	13,914	-	-	14,004	13,914
Other local taxes	17,813	18,918	-	-	17,813	18,918
Intergovernmental non-categorical aid	1,179	1,183	250	-	1,429	1,183
Use of money and property	2,834	3,537	1,018	931	3,852	4,468
Miscellaneous	657	626	210	169	867	795
Total general revenues	36,487	38,178	1,478	1,100	37,965	39,278
Total revenues	52,430	61,350	23,145	15,545	75,575	76,895
Expenses:						
General government administration	9,376	7,761	-	-	9,376	7,761
Parks and recreation	5,072	4,679	-	-	5,072	4,679
Community development	2,492	2,368	-	-	2,492	2,368
Police	13,241	12,789	-	-	13,241	12,789
Public works	18,694	15,663	-	-	18,694	15,663
Interest	176	204	-	-	176	204
Water and sewer	-	-	11,318	8,653	11,318	8,653
Golf course	-	-	2,266	2,105	2,266	2,105
Chestnut Grove cemetery	-	-	829	714	829	714
Total expenses	49,051	43,464	14,413	11,472	63,464	54,936
Change in net position before transfers	3,379	17,886	8,732	4,073	12,111	21,959
Transfers	(15)	(41)	15	41	-	-
Change in net position	3,364	17,845	8,747	4,114	12,111	21,959
Net position, July 1, as restated (Note 16)	141,163	123,318	35,465	31,351	176,628	154,669
Net position, June 30	$144,527	141,163	$44,212	$35,465	$188,739	176,628

Statement of Activities: (Continued)

Governmental Activities

During the current fiscal year, governmental-type activities increased the town's net position by $3.4 million as revenues exceeded expenses and transfers.

Revenues: For the current fiscal year ended June 30, 2025, revenues for governmental activities totaled $52.4 million, a decrease of $8.6 million or 14.1 percent decrease from the prior fiscal year. Total program revenues decreased by $7.2 million and total general revenues decreased by $1.4 million.

The decrease in total program revenues for governmental activities consists of a $0.8 increase in charges for services, a $0.3 million increase in operating grants and contributions, and a $8.3 million decrease in capital grants and contributions.

Charges for services increased $0.8 million compared to the previous fiscal year. This revenue stream is mainly comprised of revenues generated by Parks and Recreation and Public Works programs and services, whereby, each experienced an increase of $0.4 million. Operating grants increased by $0.3 million primarily due to the increase in Herndon Police and Public Works grants and contributions.

Capital grants and contributions decreased by $8.3 million primarily due to decreases in ARPA and Capital Project Fund intergovernmental grant revenues of $3.5 million and $5.5, respectively, compared to the prior year. During the fiscal year, intergovernmental revenues were $7.0 and $0.1 million as shown in Exhibit A-8 and B-5, respectively. Both funds had spent less this year compared to last year, thus, less revenue was recorded.

Total general revenues decreased by $1.4 million from the prior fiscal year, driven primarily by decreases in other local taxes and use of money revenues.

General property taxes, the town's single largest revenue source, were $14.0 million, which increased only $0.1 million from the prior fiscal year. The taxable assessed value of real property within the town, including Public Service Corporations (PSCs), for calendar year 2024 (fiscal year 2025) was $5.5 billion, an increase of 1.0 percent over the prior year's taxable assessed values. Residential property values increased by 4.6 percent and commercial property values decreased by 4.6 percent. Assessed values for PSCs increased by 1.2 percent. The town's real estate tax rate remained at $0.260 per $100 of assessed value.

Other local taxes, the town's largest combined revenue source, was $17.8 million, decreased by $0.8 million from the prior fiscal year. The decrease was primarily due to a $1.3 million decline in business license tax revenues from last year's record high. Business license tax revenue this year was more in line with previous years as shown in Statistical Table 5. Offsetting some of this decrease were increases in meals tax, transient occupancy tax, and local sales tax because of increased demand from the resilient American consumer, and general economic inflation. The town's tax rates remained unchanged in each of these taxes from the prior year.

Use of money and property decreased $0.7 million from the prior fiscal year because of lower interest rates as a result of Federal Reserve interest rate cuts throughout the fiscal year. The town's investments in Local Government Investment Pool (LGIP) had an average monthly yield of 4.39% as of June 30, 2025, compared to 5.41% as of June 30, 2024.

Statement of Activities: (Continued)

Expenses: For the current fiscal year end, expenses for governmental activities totaled $49.1 million, an increase of $5.6 million or 12.9 percent from the prior fiscal year.

The town's three largest programs, other than general government administration, are public safety, public works, and parks and recreation. These three programs comprise 75 percent of total governmental expenses.

Expenses related to employee salaries and benefits across all town governmental activity programs including the largest three programs increased $2.0 million or 6.9%. This increase was driven by two factors: increased pay rates of approximately five percent for pay for performance and market rate adjustments, and increased FTE (full-time equivalents) employment. The town had almost three FTEs more than the prior year but is still below pre-pandemic levels as shown in Statistical Table 16. Also, the Department of Public Works had approximately $1.0 million in additional depreciation expense over the prior fiscal year related to new fleet vehicles and equipment.

Business-Type Activities

During the current fiscal year, business-type activities net position increased by $8.7 million primarily due to the favorable performance at all three business-types activities: Water & Sewer, Golf Course and Chestnut Grove Cemetery. This compares to the prior year $4.1 million increase. See the proprietary fund financial Statement of Revenues, Expenses and Changes in Net Position in Exhibit A-10 for more details.

Program revenue charges for services for business-type activities include customer-paid fees for water and sewer, cemetery, and golf services. Charges for services revenue increased by $1.5 million as the Water and Sewer and Golf funds experienced increasing revenues from the prior year. The Water and Sewer Fund was up about $1.0 million primarily due to increased water and sewer rates. During the year, the town increased water rates by 17.6% and sewer rates by 8.0% as recommended by the water and sewer financial rate model consultants. Golf revenues were up slightly by $0.1 million due to an increase in green and cart fees. Chestnut Grove Cemetery revenues were up $0.3 million due to an increase in interment rights for sites sold and interment performed as shown in Statistical Table 17.

Program revenue capital contributions increased $5.7 million primarily due to a $5.1 million increase in Water & Sewer Fund availability fees received from new residential developments in the town. Also, the Water & Sewer Fund received $0.9 in capital assets contributions from the ARPA Fund.

Business-type activities expenses increased for all three businesses by $2.9 million or 25.5% from the prior year. This increase is primarily due to a $2.3 million increase in sewer conveyance expenses compared to the previous year. Fairfax County increased the rate by 39% along with a $0.9 million true up charge related to the previous year. Also, employee salaries, benefits and general economic inflation of all materials and services used in operating each of these businesses contributed to increased expenses.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental funds - The General Fund is the major operating governmental fund of the town. The town's other major governmental funds are the Capital Projects Fund and American Rescue Plan Act (ARPA) Fund. The town has two non-major governmental funds - the Chestnut Grove Cemetery Perpetual Care Fund and the Stormwater Management Fund. See Note 1 in the notes to financial statements section for more fund information.

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

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

	General		Capital Projects		ARPA		Other Governmental		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Non-spendable	$ 263	$ 335	$ -	$ -	$ -	$ -	$ -	$ -	$ 263	$ 335
Restricted	-	-	-	1,841	-	-	3,632	2,055	3,632	3,896
Assigned	14,054	13,329	4,038	3,915	1,845	1,725	319	-	20,256	18,969
Unassigned	19,173	20,509	-	-	-	-	-	-	19,173	20,509
Total fund balances	$33,490	$34,173	$ 4,038	$ 5,756	$1,845	$1,725	$3,951	$2,055	$43,324	$43,709

As of the end of the current fiscal year, the town's total governmental fund balance decreased by 0.9% to $43.3 million from the prior fiscal year. The main cause of this decrease was the General Fund, which decreased by $0.7 million due to legal fees related to the downtown redevelopment project. This decrease was partially offset by a $0.3 million net increase in all of the other governmental funds combined.

The General Fund unassigned fund balance decreased by $1.3 million because expenditures exceeded revenues during the year by $0.7 million due to $0.8 million in legal fees related to the downtown redevelopment project. Also, $0.6 million was reclassified from unassigned to assigned fund balance for the Capital Reserve Fund. The General Fund unassigned fund balance of $19.2 million represents approximately 43 percent of the General Fund's expenditures, excluding transfers out, and 44 percent of total governmental fund balance for fiscal year 2025.

The fiscal year 2025 Capital Projects Fund restricted fund balance is now zero because the balance was transferred to the newly created Stormwater Management Fund during the year which is reported in the Other Governmental column above. The Capital Projects Fund assigned fund balance increased slightly during the year primarily due to interest earned on the cash held by the fund.

The ARPA Fund's assigned fund balance increased by $0.1 million due to an increase in the amount assigned for subsequent year expenditures to finish the remaining projects in this fund.

Other Governmental fund balance of $3.9 million consists of $2.1 million for the Cemetery Perpetual Care Fund (CPCF) and $1.8 million for the new Stormwater Management Fund. The CPCF fund balance increased $0.1 million from the prior fiscal year. This slight increase is primarily attributable to the small increase in assets of the CPCF. The Stormwater Management Fund fund balance remains unchanged at $1.8 million. For fiscal year 2025, $1.5 million is reported as restricted and $0.3 million is reported as assigned fund balance for purchase order encumbrances.

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

Proprietary funds - The financial statements for the town's enterprise funds, which are a type of proprietary fund, provide the same type of information found in the government-wide financial statements for business-type activities, but in greater detail. The enterprise funds' total net position of the three funds increased by $8.7 million from the prior year as shown in Exhibit A-10. Unrestricted net position, shown in Exhibit A-9, for each of the three enterprise funds increased or decreased from the prior year as follows:

- Water and Sewer Fund — Increased to $20.0 million from $14.3 million
- Golf Course Fund — Decreased to $ 2.7 million from $ 2.9 million
- Chestnut Grove Cemetery Fund — Increased to $ 3.9 million from $ 3.3 million

For fiscal year 2025, the combined operating income of all the proprietary funds was $0.9 million. The Water and Sewer Fund posted an operating loss of $0.5 million. The Golf Fund and Chestnut Grove Cemetery Fund posted operating income of $0.7 million each as shown on Exhibit A-10.

The Water and Sewer Fund's operating loss of $0.5 million is primarily attributable to a large 39% increase in the sewer conveyance rate charged to the town from Fairfax County along with a true up charge related to the previous year. Last year the fund had an operating income of $0.8 million. During the year, the town increased water rates by 17.6% and sewer rates by 8.0% as recommended by the water and sewer financial rate model consultants. Net non-operating revenues outweighed non-operating expenses at $0.4 million due to interest income earned on LGIP investments exceeding interest expense on debt service. Due to a new large multifamily residential development at 555 Herndon Parkway in the Herndon Transit Oriented Core zoning district, the fund had $6.2 million in water and sewer availability fees which added to net position. Capital assets of $0.9 million were contributed to the Water and Sewer Fund from the ARPA Fund.

Operating income for the Golf Fund of $0.7 million was approximately the same as the previous year. The number of rounds played was 48,363, which represents an 8% decrease from the previous year as shown in Statistical Table 17. Offsetting the decrease in rounds played was a price increase in the greens fee which resulted in an increase in operating revenues of approximately $0.1 million over the prior year. Net non-operating revenues outweighed non-operating expenses at $0.2 million due to interest income earned on LGIP investments.

The Cemetery Fund's operating income of $0.7 million was higher than the previous year at $0.5 million due to an increase in interment rights for site sold and interments performed as shown in Statistical Table 17. Net non-operating revenues outweighed non-operating expenses at $0.2 million due to interest income earned on LGIP investments.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4
General Fund Budget to Actual (thousands)

	Fiscal Year 2025			
	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Taxes	$ 31,387	$ 31,387	$ 31,820	$ 433
Intergovernmental	5,272	5,404	5,126	(278)
Other	5,261	5,289	6,480	1,191
Total revenues	41,920	42,080	43,426	1,346
Expenditures	44,202	51,774	44,882	6,892
Other financing (sources) & transfers out (in)	342	312	(774)	1,086
Total expenditures	44,544	52,086	44,108	7,978
Change in fund balance	(2,624)	(10,006)	(682)	9,324
Fund balance, beginning	34,172	34,172	34,172	-
Fund balance, ending	$ 31,548	$ 24,166	$ 33,490	$ 9,324

The final amended budget for revenues increased slightly, $0.2 million, from the original budget primarily to allow the town to use state asset forfeiture proceeds. The final amended budget appropriations, which include expenditures, other financing, and transfers, exceeded the original budget by $7.6 million. This was primarily due to the appropriation of carryover expenditures for the downtown redevelopment project at $4.0 million, carryover expenditures for previous contracts at $0.8 million, the town's comprehensive plan and other community development professional services at $1.6 million, and public works operations and maintenances expenditures of $1.1 million for buildings and streets.

At the conclusion of the fiscal year, total revenues exceeded the amended budget amount by $1.3 million. Other revenues, which include permits, charges for services, and interest on investments were the main reason revenues exceeded the amended budget with building permits from the 555 Herndon Parkway multifamily residential development being the largest driver. Total expenditures, other financing, and transfers were less than the amended budget amounts by $8.0 million, mostly due to $3.2 million of non-departmental expenditures related to the downtown redevelopment project not materializing during the fiscal year because the developer elected not to proceed with constructing the project. Also, another $2.7 million was budgeted for initiatives in the Community Development and Public Works departments whereby the actual expenditure for these initiatives such the town comprehensive plan and paving did not occur due to delays and are now expected to happen in fiscal year 2026. Further, favorable other financing sources and transfers of $1.1 million contributed to lower than budgeted total expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Highlights of the comparison of the amended budget to actual figures for the fiscal year ending June 30, 2025, include the following:

- Tax revenues exceeded expectations by $0.4 million because local sales tax and meals tax exceeded the amended budget by $0.4 million and $0.2 million, respectively, due to stable economy. The town's largest single revenue source, general property taxes, came in at $14.1 million, which was $0.2 million less than the amended budget. Business license tax, the second largest revenue source, collected in fiscal year 2025 totaled $5.9 million which was $0.2 million less than the amended budget. See Statistical Table 5 for the last ten years of actuals by tax revenue source.

- Intergovernmental revenues were lower than the amended budget because collections from the state five percent communications tax and community development block grant were lower than amended budget by a sum of $0.3 million.

- Other revenues exceeded the amended budget by $1.2 million because permits were $0.5 million favorable, charges for services and interest on investments were each favorable by $0.3 million each. Building permits were favorable to amended budget by $0.5 million because the 555 Herndon Parkway multifamily residential development moved into the construction phase of development. Charges for services were favorable to the budget because Parks and Recreation continued to see more people sign up for recreation programs post pandemic than what was anticipated in the budget. Interest income on investments was higher than the amended budget due to interest rates staying higher for longer than expected. Fines and forfeitures and miscellaneous revenues were slightly favorable to the amended budget.

- Total expenditures excluding transfers and other financing uses came in under the amended budget by $6.9 million. Non-departmental came in under budget by $3.1 million primarily due to $4.0 million budgeted for the downtown redevelopment project which did not materialize during the fiscal year because the developer elected not to proceed with constructing the project. However, $0.8 in legal expenditures were incurred because the developer, Comstock, has not returned the land the town contributed to the project as required by the contract. Expenditure amounts for all the operating departments were less than the amended budgets, by $3.7 million, which was mostly driven by lower operations and maintenances costs of which $2.7 million was for initiatives in the Community Development and Public Works departments whereby the actual expenditure for these initiatives such the town comprehensive plan, building and street maintenance did not occur due to delays and are now expected to happen in fiscal year 2026. Personnel costs, including employee benefits, were $0.3 million over the amended budget, mostly due to higher police personnel costs than budgeted. Debt service expenditures were in line with the amended budget.

- Other financing sources and transfers were $1.1 million favorable to the amended budget because $0.5 million in budgeted transfers-out to the Capital Projects and Stormwater Management Funds were not needed as each fund maintained a strong cash position throughout the year. Also, other financing sources were $0.6 million favorable to amended budget due to $0.3 million higher than anticipated sales of surplus capital assets and due to the initial recording of financing associated with the start of a lease and a subscription totaling $0.3 million.

CAPITAL ASSETS

As of June 30, 2025, the town had invested approximately $142.0 million, an increase of $4.3 million from the prior fiscal year, in a variety of capital assets as reflected in the following table. More detailed information on capital assets can be found in Note 6 of the notes to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Land	$ 27,705	$ 27,705	$ 2,540	$ 2,540	$ 30,245	$ 30,245
Construction in progress	12,068	22,087	2,602	1,009	14,670	23,096
Infrastructure	109,477	102,035	-	-	109,477	102,035
Buildings	48,011	43,203	3,916	3,886	51,927	47,089
Improvements other than buildings	19,530	17,560	39,644	37,947	59,174	55,507
Machinery and equipment	17,123	16,688	5,432	4,702	22,555	21,390
Machinery and equipment - Leases	96	128	19	25	115	153
Subscriptions	855	661	-	-	855	661
Intangibles and purchased capacity	587	1,134	15,370	15,370	15,957	16,504
Furniture and fixtures	1,071	1,124	-	-	1,071	1,124
Accumulated depreciation	(121,409)	(118,845)	(42,599)	(41,221)	(164,008)	(160,066)
Total capital assets, net	**$ 115,114**	**$ 113,480**	**$ 26,924**	**$ 24,258**	**$ 142,038**	**$ 137,738**

The net increase in the town's capital asset investment is attributable to the increase in new investments of $8.2 million exceeding an additional accumulated depreciation of $3.9 million. Significant changes include construction in progress decreasing by $8.4 million, infrastructure increasing by $7.4 million because two infrastructure projects were completed and buildings increasing by $4.8 million because two projects were completed.

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

- Construction in progress ended the fiscal year with a net decrease of $8.4 million. Eleven capital projects completed by the end of the fiscal year account for most of the $16.1 million decrease. Offsetting this decrease, we spent $7.7 million on new projects. This new spending is attributable to approximately twenty smaller projects, most of which the spending is under one million dollars on each project. The project with the most in progress spending is the golf course tee box project at $1.4 million. Fifteen ARPA projects had combined spending of $4.1 million. Construction on these projects continued into fiscal year 2026.

- The $7.4 million increase in the infrastructure category consisted of two projects being completed and placed in service. The larger project was the East Spring Street intersection widening project. Also, the Hunters Creek pedestrian bridge in Runnymede Park was replaced during the fiscal year.

- Using ARPA funds, most of the $4.8 million increase in buildings was from the installation of a new environmental control system in the Herndon Community Center pool natatorium and the tennis complex refurbishment which included a new tennis bubble for year around play, at Bready Park.

CAPITAL ASSETS (continued)

Twenty government-wide projects were in progress totaling $12.1 million. The Capital Projects Fund has seven projects totaling $7.4 million for which the downtown development project accounts for most of the spending at $7.0. The ARPA Fund has eleven projects in progress totaling $4.5 million for which four water and sewer improvement projects account for most of the spending at $2.9 million.

Seven business-type projects remain in progress at the end of the fiscal year, totaling almost $2.6 million. In the Water and Sewer Fund, five water line and sewer line improvement projects were in progress, totaling $0.8 million. The Cemetery Fund development project was in progress with spending of $0.3 million, and the Golf Fund tee box and stormwater drainage project was in progress with spending of $1.5 million.

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

LONG-TERM DEBT

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

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation (GO) bonds	$ 7,056	$ 7,983	$ 6,840	$ 7,139	$ 13,896	$ 15,122
Fairfax Water obligations	-	-	1,640	1,802	1,640	1,802
GO bonds - premiums	107	115	-	-	107	115
Notes payable	-	-	180	240	180	240
Leases	81	23	2	7	83	30
Subscriptions	169	187	-	-	169	187
Total long-term outstanding debt	**$ 7,413**	**$ 8,308**	**$ 8,662**	**$ 9,188**	**$ 16,075**	**$ 17,496**

At the end of fiscal year 2025, the town had $16.1 million in outstanding long-term general obligations bonds, other obligations, and premiums, as reflected in the above table. This represents a decrease of $1.4 million from the prior fiscal year, driven by debt service payments during the normal course of business.

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

NEXT YEAR'S BUDGET AND RATES

The total adopted fiscal year 2026 budget (all funds), including inter-fund transfers, is $95.7 million which is about 28.3 percent higher than the original budget for fiscal year 2025. This $21.1 million increase is the result of additions in the governmental funds of $12.1 million and proprietary funds of $9.0 million. The town's real estate tax rate increased one cent to $0.270 per $100 of assessed value for fiscal year 2026. Other rate increases include a meals tax rate increase of 0.75% and a solid waste fee increase of $5 per quarter per household. All other excise taxes and fees town-wide remain unchanged from fiscal year 2025.

Due to significantly increased operating costs in the Water & Sewer Fund, the Town Council adopted increases in the charges for services in the Water & Sewer Fund by increasing the utility billing rates in the fiscal year 2026 budget.

CURRENTLY KNOWN FACTS LIKELY TO IMPACT FINANCIAL CONDITION

Factors expected to affect the town's financial position include litigation surrounding the downtown redevelopment, the current status on the projects funded by the American Rescue Plan Act, and pace of other development and capital spending requirements.

In November 2017, the Town entered into a Comprehensive Agreement with Comstock Herndon Venture, LC pursuant to the Virginia Public Private Procurement Act to redevelop a parcel of land owned by the town. The Agreement was amended in 2020 to reflect additional terms, including transfer of the land conditioned upon development by Comstock.

In September 2024, the Herndon Town Council approved a second extension of the outside satisfaction date to December 10th, 2024, by which the Town of Herndon and developer Comstock Herndon Venture, LC were expected to finalize their amended and restated comprehensive agreement for the redevelopment of 4.675 acres in Herndon's downtown.

On December 6, 2024, the town was notified by Comstock of its election not to proceed with constructing the project. In January 2025, the town exercised its contractual right to have the previously donated land parcels returned to the town. As of June 30, Comstock has not executed the documents required to transfer the property back to the town. The town has filed suit in Fairfax County Circuit Court seeking specific performance to affect the return of the property and costs in July 2025. No counterclaim has been filed by the defendant.

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 $7.2 million in fiscal year 2025 as shown on Exhibit A-8 of the basic financial statements and $23.9M to-date. All remaining spending is expected to be completed by the federal deadline of December 31, 2026.

There are several significant land-use projects in various stages of review. These projects will provide over 2,000 residential units, and over 132,000SF of retail and other commercial space in town. Additional mix-use development applications are expected in 2026, marking a phase of rapid development and population growth for the town.

The Herndon Town Council adopted a Capital Improvement program in May 2025 which includes several material transportation, infrastructure and energy-related projects.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

TOWN OF HERNDON, VIRGINIA

Exhibit A-1

STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents, and investments (Note 2)	$ 44,611,055	$ 26,417,058	$ 71,028,113
Receivables, net:			
Property taxes (Note 3)	15,339,773	-	15,339,773
Trade and other accounts (Note 3)	1,279,852	2,595,329	3,875,181
Accrued interest	3,518	6,919	10,437
Due from other governments (Note 3)	3,576,951	250,000	3,826,951
Inventories	193,264	98,121	291,385
Prepaid costs	70,216	-	70,216
Cash, cash equivalents, and investments - restricted (Note 2)	4,511,894	-	4,511,894
Leases receivable (Note 4)	394,243	1,949,938	2,344,181
Capital assets: (Note 6)			
Nondepreciable	39,772,883	5,141,582	44,914,465
Depreciable, net	75,341,417	21,782,241	97,123,658
Total assets	185,095,066	58,241,188	243,336,254
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 9)	3,684,070	421,254	4,105,324
Deferred outflows related to other postemployment benefits (Notes 11,12, and 13)	360,683	71,692	432,375
Total deferred outflows of resources	4,044,753	492,946	4,537,699
LIABILITIES			
Accounts payable	1,780,940	2,003,529	3,784,469
Accrued payroll	606,151	197,037	803,188
Accrued liabilities - other	2,041,918	232,898	2,274,816
Accrued interest	73,071	-	73,071
Unearned revenue (Note 7)	5,097,982	29,249	5,127,231
Customer deposits	1,073,693	222,394	1,296,087
Noncurrent liabilities:			
Due within one year (Note 8)	2,522,309	744,565	3,266,874
Net other postemployment benefit liability due within one year (Notes 11)	161,630	17,959	179,589
Due in more than one year (Note 8)	7,966,337	8,332,532	16,298,869
Net pension liability (Note 9)	349,038	38,722	387,760
Net other postemployment benefit liability (Notes 11, 12, and 13)	3,729,433	417,713	4,147,146
Total liabilities	25,402,502	12,236,598	37,639,100
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 9)	2,650,688	294,063	2,944,751
Deferred inflows related to other postemployment benefits (Notes 11, 12, and 13)	905,322	127,511	1,032,833
Lease-related deferred inflows	375,319	1,863,247	2,238,566
Property taxes (Note 7)	15,279,261	-	15,279,261
Total deferred inflows of resources	19,210,590	2,284,821	21,495,411
NET POSITION			
Net investment in capital assets	106,865,989	17,427,484	124,293,473
Restricted:			
Lateral program	-	88,847	88,847
Cemetery Perpetual Care Fund - expendable	2,139,507	-	2,139,507
Unrestricted	35,521,231	26,696,384	62,217,615
Total net position	**$ 144,526,727**	**$ 44,212,715**	**$ 188,739,442**

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, 2025

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	$ 695,695	$ -	$ -	$ -	$ (695,695)		$ (695,695)
Administration	5,707,995	23,269	-	-	(5,684,726)		(5,684,726)
Town attorney	1,091,720	-	-	-	(1,091,720)		(1,091,720)
Parks and recreation	5,071,686	2,171,915	-	-	(2,899,771)		(2,899,771)
Finance	1,880,391	-	-	-	(1,880,391)		(1,880,391)
Community development	2,492,111	-	40,000	-	(2,452,111)		(2,452,111)
Police	13,240,999	454,338	795,060	-	(11,991,601)		(11,991,601)
Public works	18,694,196	1,596,144	1,557,638	9,304,088	(6,236,326)		(6,236,326)
Interest	176,254	-	-	-	(176,254)		(176,254)
Total governmental activities	49,051,047	4,245,666	2,392,698	9,304,088	(33,108,595)		(33,108,595)
Business-type activities:							
Water and sewer	11,317,870	10,171,542	-	7,128,714		$ 5,982,386	5,982,386
Golf course	2,266,575	2,900,057	-	-		633,482	633,482
Chestnut Grove cemetery	828,770	1,467,144	-	-		638,374	638,374
Total business-type activities	14,413,215	14,538,743	-	7,128,714		7,254,242	7,254,242
Total government	$ 63,464,262	$ 18,784,409	$ 2,392,698	$ 16,432,802	(33,108,595)	7,254,242	(25,854,353)
General Revenues:							
Taxes:							
General property					14,004,007	-	14,004,007
Business licenses					5,949,145	-	5,949,145
Transient occupancy					2,106,052	-	2,106,052
Meals					4,549,985	-	4,549,985
Local sales					2,806,121	-	2,806,121
Consumer utility					814,233	-	814,233
Bank stock tax					699,947	-	699,947
Motor vehicle licenses					457,518	-	457,518
Other local taxes					429,904	-	429,904
Revenues not restricted to specific programs					77,368	-	77,368
Intergovernmental, non-categorical aid					1,178,678	250,000	1,428,678
Use of money and property					2,834,239	1,018,072	3,852,311
Gain on sale of capital assets					323,250	20,126	343,376
Miscellaneous income					257,250	190,096	447,346
Transfers					(15,567)	15,567	-
Total general revenues and transfers					36,472,130	1,493,861	37,965,991
Change in net position					3,363,535	8,748,103	12,111,638
Net position, July 1, as restated (Noted 16)					141,163,192	35,464,612	176,627,804
Net position, June 30					**$ 144,526,727**	**$ 44,212,715**	**$ 188,739,442**

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	$ 35,291,016	$ 4,863,269	$ 4,456,770	$ -	$ 44,611,055
Receivables (net of allowance for doubtful accounts):					
Property taxes	15,339,773	-	-	-	15,339,773
Trade and other accounts	1,277,388	-	-	2,464	1,279,852
Leases	394,243	-	-	-	394,243
Accrued interest	3,518	-	-	-	3,518
Due from other governments	693,568	2,883,383	-	-	3,576,951
Inventories	193,264	-	-	-	193,264
Prepaid costs	70,216	-	-	-	70,216
Cash, cash equivalents, and investments - restricted	-	-	-	4,511,894	4,511,894
Total assets	**$ 53,262,986**	**$ 7,746,652**	**$ 4,456,770**	**$ 4,514,358**	**$ 69,980,766**

(Continued)

TOWN OF HERNDON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 783,512	$ 186	$ 907,677	$ 89,565	$ 1,780,940
Accrued payroll	588,414	-	-	17,737	606,151
Accrued liabilities - other	1,098,955	824,672	118,291	-	2,041,918
Accrued Interest - leases and subscription arrangements	6,148	-	-	-	6,148
Unearned revenue	172,421	2,883,384	1,585,349	456,828	5,097,982
Customer deposits	1,073,693	-	-	-	1,073,693
Total liabilities	3,723,143	3,708,242	2,611,317	564,130	10,606,832
Deferred inflows of resources:					
Unavailable revenue - property taxes	15,431,123	-	-	-	15,431,123
Unavailable revenue - other	243,206	-	-	-	243,206
Lease related deferred inflows	375,319	-	-	-	375,319
Total deferred inflows of resources	16,049,648	-	-	-	16,049,648
Fund Balances:					
Nonspendable:					
Inventories	193,264	-	-	-	193,264
Prepaid costs	70,216	-	-	-	70,216
Restricted:					
Cemetery perpetual care	-	-	-	2,139,507	2,139,507
Stormwater	-	-	-	1,492,139	1,492,139
Assigned:					
Revenue stabilization	2,200,000	-	-	-	2,200,000
Operating and capital costs	1,459,157	34,373	-	318,582	1,812,112
Capital reserve	4,600,000	-	-	-	4,600,000
Contingency reserve	1,000,000	-	-	-	1,000,000
e-Summons	66,147	-	-	-	66,147
Downtown Parking	3,200,000	-	-	-	3,200,000
Subsequent years' expenditures for:					
General Fund	1,528,715	-	-	-	1,528,715
Capital Projects Fund	-	4,004,037	-	-	4,004,037
ARPA Fund	-	-	1,845,453	-	1,845,453
Unassigned:					
General Fund	19,172,696	-	-	-	19,172,696
Total fund balances	33,490,195	4,038,410	1,845,453	3,950,228	43,324,286
Total liabilities, deferred inflows of resources, and fund balances	**$ 53,262,986**	**$ 7,746,652**	**$ 4,456,770**	**$ 4,514,358**	**$ 69,980,766**

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, 2025

Total fund balances - governmental funds		$ 43,324,286
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.		115,114,300
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		395,068
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	$ 3,684,070	
Other postemployment benefits	360,683	
		4,044,753
Deferred inflows related to:		
Pensions	(2,650,688)	
Other postemployment benefits	(905,322)	
		(3,556,010)
Net pension liability		(349,038)
Net other post employment benefits liability		(3,891,063)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds, leases, and SBITAs payable, including unamortized premiums and discounts	(7,413,755)	
Notes payable		
Compensated absences	(3,074,891)	
Interest payable	(66,923)	
		(10,555,569)
Net position of governmental activities		**$ 144,526,727**

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, 2025

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	$ 14,052,877	$ -	$ -	$ -	$ 14,052,877
Other local taxes	17,766,668	-	-	-	17,766,668
Permits, privilege fees, and regulatory licenses	1,144,257	-	-	3,416	1,147,673
Fines and forfeitures	478,568	-	-	-	478,568
Use of money and property	2,078,693	193,113	346,983	215,450	2,834,239
Charges for services	2,700,209	-	-	-	2,700,209
Miscellaneous	77,893	5,841	-	-	83,734
Intergovernmental	5,125,598	155,253	6,987,332	603,865	12,872,048
Total revenues	43,424,763	354,207	7,334,315	822,731	51,936,016
Expenditures:					
Current:					
Legislative	687,290	-	-	-	687,290
Administration	4,226,822	-	-	-	4,226,822
Town attorney	1,139,896	-	-	-	1,139,896
Parks and recreation	4,462,589	-	-	-	4,462,589
Finance	1,957,301	-	-	-	1,957,301
Community development	2,868,894	-	-	-	2,868,894
Police	12,519,963	-	-	-	12,519,963
Public works	14,573,677	-	-	325,743	14,899,420
Grants	140,360	-	-	-	140,360
Non-departmental	950,883	-	-		950,883
Capital outlay	-	231,131	7,213,956	427,430	7,872,517
Debt service:					
Principal	1,163,440	-	-	-	1,163,440
Interest and fiscal charges	190,430	-	-	-	190,430
Total expenditures	44,881,545	231,131	7,213,956	753,173	53,079,805
Excess (deficiency) of revenues over (under) expenditures	(1,456,782)	123,076	120,359	69,558	(1,143,789)

(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, 2025

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Proceeds from sale of capital assets	$ 323,250	$ -	$ -	$ -	$ 323,250
Issuance of leases and subscription arrangements	277,053	-	-	-	277,053
Insurance recoveries	173,516	-	-	-	173,516
Transfers in	-	-	-	84,190	84,190
Transfers out	-	-	-	(99,757)	(99,757)
Total other financing sources (uses), net	773,819	-	-	(15,567)	758,252
Net change in fund balances	(682,963)	123,076	120,359	53,991	(385,537)
Fund balances, July 1, restated (Note 16)	34,173,158	3,915,334	1,725,094	3,896,237	43,709,823
Fund balances, June 30	**$ 33,490,195**	**$ 4,038,410**	**$ 1,845,453**	**$ 3,950,228**	**$ 43,324,286**

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, 2025

Net change in fund balances - total governmental funds		$ (385,537)
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	$ 7,750,428	
Less: depreciation and amortization expense	(4,845,335)	
Excess of capital outlay over depreciation and amortization		2,905,093
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		(1,270,471)
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		(2,633)
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		(277,053)
Principal repayments		1,163,440
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		1,741,824
Pension expense		(684,323)
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		111,385
Other postemployment benefit expense		279,339
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	6,517	
Compensated absences	(231,705)	
Amortization of premiums and discounts	7,659	(217,529)
Change in net position of governmental activities		**$ 3,363,535**

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
General property taxes	$ 14,205,626	$ 14,205,626	$ 14,052,877	$ (152,749)
Other local taxes	17,181,012	17,181,012	17,766,668	585,656
Permits, privilege fees, and regulatory licenses	663,300	663,300	1,144,257	480,957
Fines and forfeitures	360,000	387,562	478,568	91,006
Use of money and property	1,820,890	1,820,890	2,078,693	257,803
Charges for services	2,363,430	2,363,430	2,700,209	336,779
Miscellaneous	54,000	54,000	77,893	23,893
Intergovernmental	5,271,863	5,403,863	5,125,598	(278,265)
Total revenues	41,920,121	42,079,683	43,424,763	1,345,080
Expenditures:				
Current:				
Legislative	804,815	825,776	687,290	138,486
Administration	4,472,532	5,006,354	4,226,822	779,532
Town attorney	997,549	1,057,209	1,139,896	(82,687)
Parks and recreation	4,795,838	4,853,021	4,462,589	390,432
Finance	1,984,081	2,026,281	1,957,301	68,980
Community development	2,914,891	4,538,079	2,868,894	1,669,185
Police	12,200,580	12,336,155	12,519,963	(183,808)
Public works	14,470,086	15,536,323	14,573,677	962,646
Grants	8,781	140,781	140,360	421
Non-departmental	157,689	4,058,389	950,883	3,107,506
Debt service:				
Principal	1,195,087	1,195,087	1,163,440	31,647
Interest and fiscal charges	199,695	199,695	190,430	9,265
Total expenditures	44,201,624	51,773,150	44,881,545	6,891,605
Excess (deficiency) of revenues over (under) expenditures	**(2,281,503)**	**(9,693,467)**	**(1,456,782)**	**8,236,685**

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Other financing sources (uses):				
Proceeds from sale of capital assets	$ 50,000	$ 50,000	$ 323,250	$ 273,250
Issuance of leases and subscription arrangements	-	-	277,053	277,053
Insurance recoveries	75,000	104,740	173,516	68,776
Transfers out	(467,400)	(467,400)	-	467,400
Total other financing sources (uses), net	(342,400)	(312,660)	773,819	1,086,479
Net change in fund balance	**$ (2,623,903)**	**$ (10,006,127)**	**$ (682,963)**	**$ 9,323,164**

TOWN OF HERNDON, VIRGINIA

Exhibit A-8

GOVERNMENTAL FUND TYPE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ARPA FUND
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Use of money and property	$ -	$ -	$ 346,983	$ 346,983
Intergovernmental	-	9,092,680	6,987,332	(2,105,348)
Total revenues	-	9,092,680	7,334,315	(1,758,365)
Capital Outlay:				
Administration - Information technology	-	162,613	82,817	79,796
Parks & recreation	-	1,627,068	1,455,244	171,824
Police	-	544,894	341,679	203,215
Public works	-	7,493,604	5,327,020	2,166,584
Cemetery	-	180,001	7,196	172,805
Total capital outlay	-	10,008,180	7,213,956	2,794,224
Total expenditures	-	10,008,180	7,213,956	2,794,224
Excess (Deficiency) of revenues over (under) expenditures	-	(915,500)	120,359	1,035,859
Net change in fund balance	**$ -**	**$ (915,500)**	**$ 120,359**	**$ 1,035,859**

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

TOWN OF HERNDON, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
ASSETS				
Current Assets:				
Cash, cash equivalents, and investments	$ 19,235,557	$ 3,197,431	$ 3,984,070	$ 26,417,058
Receivables (net of allowance for doubtful accounts):	2,595,329	-	-	2,595,329
Accrued interest	6,460	459	-	6,919
Inventories	49,959	48,162	-	98,121
Due from other governments	250,000	-	-	250,000
Leases receivable - current portion	321,326	29,939	-	351,265
Total current assets	22,458,631	3,275,991	3,984,070	29,718,692
Noncurrent Assets:				
Leases receivable	1,483,842	114,831	-	1,598,673
Capital assets:				
Land	200,000	1,621,574	718,500	2,540,074
Buildings	-	2,575,747	1,340,694	3,916,441
Improvements other than buildings	34,689,062	3,298,224	1,656,239	39,643,525
Machinery and equipment	3,242,634	1,961,648	227,183	5,431,465
Machinery and equipment - leases	19,419	-	-	19,419
Intangibles	15,370,173	-	-	15,370,173
Construction in progress	804,231	1,459,546	337,731	2,601,508
Less: accumulated depreciation and amortization	(34,440,186)	(6,091,335)	(2,067,261)	(42,598,782)
Total capital assets (net of accumulated depreciation and amortization)	19,885,333	4,825,404	2,213,086	26,923,823
Total noncurrent assets	21,369,175	4,940,235	2,213,086	28,522,496
Total assets	43,827,806	8,216,226	6,197,156	58,241,188
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	240,432	124,930	55,892	421,254
OPEB-related deferred outflows	51,561	15,194	4,937	71,692
Total deferred outflows of resources	291,993	140,124	60,829	492,946

(Continued)

TOWN OF HERNDON, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 1,608,987	$ 371,605	$ 22,937	$ 2,003,529
Accrued payroll	115,725	60,042	21,270	197,037
Accrued liabilities - other	86,122	141,999	4,777	232,898
Due to other governments	171,360	-	-	171,360
Unearned revenue	-	29,249	-	29,249
Compensated absences	105,132	59,320	13,342	177,794
Customer deposits	221,844	550	-	222,394
Current obligations payable	147,196	113,905	134,310	395,411
Total current liabilities	2,456,366	776,670	196,636	3,429,672
Noncurrent Liabilities:				
Compensated absences	121,733	106,157	9,314	237,204
Due to other governments	1,468,679	-	-	1,468,679
Net pension liability	21,898	11,480	5,344	38,722
Net other post employment benefit liability	217,167	197,859	20,646	435,672
Long-term obligations payable, net	5,825,000	315,226	486,423	6,626,649
Total noncurrent liabilities	7,654,477	630,722	521,727	8,806,926
Total liabilities	10,110,843	1,407,392	718,363	12,236,598
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	166,303	87,180	40,580	294,063
OPEB-related deferred inflows	51,285	67,029	9,197	127,511
Lease related deferred inflows	1,722,734	140,513	-	1,863,247
Total deferred inflows of resources	1,940,322	294,722	49,777	2,284,821
NET POSITION				
Net Position:				
Net investment in capital assets	11,938,415	3,917,851	1,571,218	17,427,484
Restricted, lateral program	88,847	-	-	88,847
Unrestricted	20,041,372	2,736,385	3,918,627	26,696,384
Total net position	$ 32,068,634	$ 6,654,236	$ 5,489,845	$ 44,212,715

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Operating revenues:				
Sale of water	$ 4,029,871	$ -	$ -	$ 4,029,871
Sewer service charges	5,627,021	-	-	5,627,021
Late payment charges	103,784	-	-	103,784
Sale of commodities	17,442	-	-	17,442
Rents and leases	393,424	44,023	-	437,447
Greens fees	-	2,207,989	-	2,207,989
Golf cart revenue	-	371,569	-	371,569
Golf pro shop sales	-	123,229	-	123,229
Driving range fees	-	166,312	-	166,312
Cemetery sites	-	-	841,895	841,895
Interment services	-	-	347,705	347,705
Merchandise sales	-	-	277,544	277,544
Miscellaneous	22,075	64,205	76,134	162,414
Intergovernmental	250,000	-	-	250,000
Total operating revenues	10,443,617	2,977,327	1,543,278	14,964,222
Operating expenses:				
Finance	381,000	-	-	381,000
Water services	2,656,824	-	-	2,656,824
Sewer services	6,002,761	-	-	6,002,761
Contractual services	659,851	51,898	29,656	741,405
Golf course operations	-	1,002,503	-	1,002,503
Golf course clubhouse	-	921,826	-	921,826
Cemetery operations	-	-	718,411	718,411
Nondepartmental:				
Depreciation and amortization	1,249,033	247,968	60,926	1,557,927
Miscellaneous	47,694	33,549	7,620	88,863
Total operating expenses	10,997,163	2,257,744	816,613	14,071,520
Operating income (loss)	(553,546)	719,583	726,665	892,702

(Continued)

TOWN OF HERNDON, VIRGINIA

Exhibit A-10
Page 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Non-operating revenues (expenses):				
Investment earnings, net	$ 699,122	$ 160,775	$ 158,175	$ 1,018,072
Interest expense	(320,707)	(8,831)	(7,068)	(336,606)
Insurance recoveries	-	66	14,551	14,617
Gain (loss) on disposal of capital assets	12,302	7,824	(5,089)	15,037
Total non-operating revenues, net	390,717	159,834	160,569	711,120
Income (loss) before availability fees and transfers	(162,829)	879,417	887,234	1,603,822
Capital contributions	875,134	-	-	875,134
Availability fees	6,253,580	-	-	6,253,580
Transfers in	-	-	99,757	99,757
Transfers out	-	-	(84,190)	(84,190)
Total availability fees and transfers	7,128,714	-	15,567	7,144,281
Change in net position	6,965,885	879,417	902,801	8,748,103
Total net position, July 1	25,102,749	5,774,819	4,587,044	35,464,612
Total net position, June 30	**$ 32,068,634**	**$ 6,654,236**	**$ 5,489,845**	**$ 44,212,715**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-11
Page 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Water and Sewer	Golf Course	Chestnut Grove Cemetery	Totals
Operating Activities:				
Receipts from customers	$ 9,592,552	$ 2,987,346	$ 1,543,278	$ 14,123,176
Payments to suppliers for goods and services	(7,836,714)	(772,013)	(329,027)	(8,937,754)
Payments to employees for services	(2,097,410)	(1,237,171)	(465,464)	(3,800,045)
Other receipts	250,000	-	-	250,000
Net cash provided by (used in) operating activities	(91,572)	978,162	748,787	1,635,377
Noncapital Financing Activities:				
Transfers in from other funds	-	-	99,757	99,757
Transfers out to other funds	-	-	(84,190)	(84,190)
Net cash provided by noncapital financing activities	-	-	15,567	15,567
Capital and Related Financing Activities:				
Availability fees	6,253,580	-	-	6,253,580
Acquisition and construction of capital assets	(819,633)	(1,152,247)	(218,701)	(2,190,581)
Proceeds from the sale of capital assets	12,302	7,890	19,807	39,999
Principal paid on bonds and leases	(144,508)	(125,641)	(93,852)	(364,001)
Principal paid to Fairfax Water	(161,676)	-	-	(161,676)
Interest paid on bonds and leases	(323,328)	(9,835)	(6,059)	(339,222)
Net cash provided by (used in) capital and related financing activities	4,816,737	(1,279,833)	(298,805)	3,238,099
Investing Activities:				
Interest received on investment securities	696,426	160,464	158,175	1,015,065
Net cash provided by investing activities	696,426	160,464	158,175	1,015,065
Net increase (decrease) in cash, cash equivalents, and investments	5,421,591	(141,207)	623,724	5,904,108
Cash, Cash Equivalents, and Investments:				
Beginning	13,813,966	3,338,638	3,360,346	20,512,950
Ending	**$ 19,235,557**	**$ 3,197,431**	**$ 3,984,070**	**$ 26,417,058**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-11
Page 2

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2025

	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 (used in) operating activities:				
Operating income (loss)	$ (553,546)	$ 719,583	$ 726,665	$ 892,702
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,249,033	247,968	60,926	1,557,927
Pension expense net of employer contributions	(76,483)	(37,066)	(15,859)	(129,408)
Other postemployment benefit expense net of employer contributions	(19,378)	(13,040)	(9,654)	(42,072)
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(320,472)	-	-	(320,472)
Due from other governments	(250,000)	-	-	(250,000)
Lease receivables	(452,836)	(125,592)	-	(578,428)
Inventories	11,265	(546)	-	10,719
Prepaid costs and other assets	185	97	-	282
Increase (decrease) in:				
Accounts payable, accrued liabilities, and compensated absences	(101,583)	51,147	(13,291)	(63,727)
Unearned revenue	-	10,444	-	10,444
Leases related deferred inflows	428,796	125,167	-	553,963
Deposits	(6,553)	-	-	(6,553)
Net cash provided by (used in) operating activities	**$ (91,572)**	**$ 978,162**	**$ 748,787**	**$ 1,635,377**
Schedule of Non-cash Capital and Related Financing Activities:				
Capital assets acquired through accounts payable	**$ 334,683**	**$ 478,422**	**$ 21,135**	**$ 834,240**
Capital contributions	**$ 875,134**	**$ -**	**$ -**	**$ 875,134**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-12

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2025
(With Comparative Amounts for 2024)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2025	**2024**
ASSETS		
Money Market (Note 2)	$ 17,703	$ 11,625
Mutual funds (Note 2)	4,421,862	4,050,912
Total assets	4,439,565	4,062,537
NET POSITION		
Restricted:		
Net position restricted for pensions	**$ 4,439,565**	**$ 4,062,537**

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

TOWN OF HERNDON, VIRGINIA

Exhibit A-13

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2025
(With Comparative Amounts for 2024)

	Pension Trust Fund	
	Police Supplemental Retirement Pension Trust Fund	
	2025	**2024**
Additions:		
Employer contributions	$ 226,142	$ 218,058
Investment income:		
Net increase in the fair value of investments	553,547	556,832
Total additions, net	779,689	774,890
Deductions:		
Benefit payments	402,661	245,323
Change in net position	377,028	529,567
Net position, July 1	4,062,537	3,532,970
Net position, June 30	**$ 4,439,565**	**$ 4,062,537**

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 non-operating items.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements: Governmental funds are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The town considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes, which are recognized as revenue if they have been collected within the town's availability period, which is 60 days. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases and subscriptions are reported as other financing sources.

The town reports the following major governmental funds:

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

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

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

The *Chestnut Grove Cemetery Perpetual Care Fund* and the *Stormwater Management 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 must be submitted to the town manager for review, and to Town Council for approval. The town manager is authorized to approve the transfer/reallocation/redistribution of General Fund, ARPA Fund, Water & Sewer Fund, Golf Course Fund, Chestnut Grove Cemetery Fund, and the Capital Projects Funds monies within a department or between departments in the same fund. Actions may be within or between the personnel, operations and maintenance and capital outlays/projects accounts. The total amount of each approval shall not exceed $100,000 and multiple transfers to the same account cannot exceed a total of $100,000. Requirements in excess of $100,000 must be submitted by resolution to the Town Council for approval. The dollar limitation effectively lowers the legal level of budgetary control to the department level. All increases or decreases to the approved budget must be approved by the Town Council before being made. During the year, the Town Council approves additional appropriations, as needed, in the form of Budget Amendments.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

During the year ended June 30, 2025, budget revisions to the general fund were made, which resulted in an approximate $7,600,000 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 2025 per $100 of assessed value was $.260. No discounts are allowed. A late penalty of ten percent is charged after July 28 and December 5. Interest of ten percent on tax and penalty is charged from August 1 for the first half real estate taxes and from January 1 for second half real estate taxes.

The town reports real estate taxes (net of allowances) assessed for calendar year 2025 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, 2025; however, these resources will not be available to the town until fiscal year 2026.

The town did not assess personal property taxes during fiscal year 2025.

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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

N. Long-Term Obligations

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

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

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 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, 2025, include $1,528,715 in the general fund and $4,004,037 in the general capital project fund and $1,845,453 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 2025, the Town adopted GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 established new guidance by updating the recognition and measurement for compensated absences. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As stated in GASB Statement No. 100, *Accounting Changes and Error Corrections*, a change in accounting principle should be reported retroactively by restating beginning net position for the cumulative effect of the change of the newly adopted accounting principle on prior periods. The Town determined the cumulative effect on beginning net position was minimal and therefore, no restatement of the prior year net position was necessary.

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, 2025, the town's investments consisted of the following:

Type	Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	$ 72,899,581	AAA	0.21
Money Market	17,703	N/A	N/A
Mutual Funds	4,421,862	Various	N/A
Total investments	$ 77,339,146		

* - 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, 2025, 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, 2025:

	Level 1	Level 2	Level 3	Total
Mutual funds – Police Retirement Plan:				
DFA Emerging Markets Core Equity I	$ 73,016	$ -	$ -	$ 73,016
DFA International Core Equity I	147,499	-	-	147,499
DFA US Core Equity 2 I	259,029	-	-	259,029
Fidelity Advisor Total Bond Z	85,083	-	-	85,083
Fidelity Mid Cap	16,087	-	-	16,087
Fidelity Large Cap	256,302	-	-	256,302
Fidelity 500 Index	338,003	-	-	338,003
Fidelity US Bond Index	5,676	-	-	5,676
Great Gray CIT III Met Life 25554 CL J	34,131	-	-	34,131
Vanguard Target Retirement 2055 Fund	160,288	-	-	160,288
Vanguard Target Retirement 2050 Fund	212,939	-	-	212,939
Vanguard Target Retirement 2040 Fund	860,216	-	-	860,216
Vanguard REIT Index Adm	59,287	-	-	59,287
Vanguard Target Retirement 2065 Fund	32,718	-	-	32,718
Vanguard Target Retirement 2030 Fund	12,710	-	-	12,710
Vanguard Target Retirement Income Fund	2,708	-	-	2,708
Vanguard Target Retirement 2045 Fund	484,355	-	-	484,355
Vanguard Target Retirement 2035 Fund	816,561	-	-	816,561
Vanguard Target Retirement 2060 Fund	105,530	-	-	105,530
Vanguard Target Retirement 2025 Fund	449,260	-	-	449,260
Vanguard Target Retirement 2020 Fund	10,464	-	-	10,464
	$ 4,421,862	**$ -**	**$ -**	**$ 4,421,862**

(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	$ 2,640,426
Investments	72,899,581
Investments held in trust	4,439,565
	$ 79,979,572
Statement of Net Position:	
Cash and investments	$ 71,028,113
Cash and investments – restricted	4,511,894
Fiduciary fund cash and investments	4,439,565
	$ 79,979,572

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 and the Stormwater Management Fund.

Note 3. Receivables and Due from Other Governments,

Receivables are as follows:

	Governmental Activities	Business - Type Activities	Total
Receivables:			
Property tax	$ 15,339,773	$ -	$ 15,339,773
Meal tax	643,558	-	643,558
Transient occupancy tax	221,168	-	221,168
Trade and other accounts	417,325	2,613,523	3,030,848
Gross receivables	16,621,824	2,613,523	19,235,347
Less: allowance for uncollectible	(2,199)	(18,194)	(20,393)
Receivables, net	**$ 16,619,625**	**$ 2,595,329**	**$ 19,214,954**
Due from other governments:			
Commonwealth of Virginia	$ 176,364	$ 250,000	$ 426,364
Counties	3,400,587	-	3,400,587
Total due from other governments	**$ 3,576,951**	**$ 250,000**	**$ 3,826,951**

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.

The lease receivables are due as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	$ 345,258	$ 2,440	$ 351,265	$ 33,892
2027	48,985	60	265,432	29,580
2028	-	-	220,666	25,790
2029	-	-	219,262	22,305
2030	-	-	136,502	19,117
Thereafter	-	-	756,811	87,160
	$ 394,243	**$ 2,500**	**$ 1,949,938**	**$ 217,844**

Lease and interest revenue in the general fund was $379,514 and $8,117 respectively, and $385,972 and $37,027 in the business-type activities, respectively, for 2025.

Note 5. Interfund Receivables, Payables, and Transfers

A summary of interfund transfer activity is presented as follows:

	Nonmajor Governmental Fund	Chestnut Grove Cemetery Fund	Total Transferred In
Transferred out:			
Primary government:			
Governmental activities:			
Nonmajor governmental funds	$ -	$ 84,190	$ 84,190
Business-type activities:			
Chestnut Grove Cemetery Fund	99,757	-	99,757
Total Transferred Out	**$ 99,757**	**$ 84,190**	**$ 183,**947

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

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

Note 6. Capital Assets

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

Governmental Activities:	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital asset, not depreciated:				
Land	$ 23,826,753	$ -	$ -	$ 23,826,753
Easements	3,878,207	-	-	3,878,207
Construction in progress	22,087,685	5,294,250	(15,314,012)	12,067,923
Total capital assets not depreciated	49,792,645	5,294,250	(15,314,012)	39,772,883
Capital assets, depreciated and amortized:				
Infrastructure	102,034,965	7,441,681	-	109,476,646
Buildings	43,203,408	4,807,449	-	48,010,857
Improvements other than buildings	17,559,728	1,969,857	-	19,529,585
Machinery and equipment	16,687,788	2,184,550	(1,749,467)	17,122,871
Machinery and equipment – Right-to-use leases	128,230	72,020	(103,686)	96,564
Right-to-use subscriptions	660,846	193,768	-	854,614
Intangibles	1,134,138	-	(546,769)	587,369
Furniture and fixtures	1,123,443	-	(51,909)	1,071,534
Total capital assets	182,532,546	16,669,325	(2,451,831)	196,750,040
Less: accumulated depreciation and amortization:				
Infrastructure	(71,420,133)	(1,727,974)	-	(73,148,107)
Buildings	(25,819,852)	(1,230,781)	-	(27,050,633)
Improvements other than buildings	(11,713,418)	(464,120)	-	(12,177,538)
Machinery and equipment	(7,580,772)	(1,141,613)	1,611,773	(7,110,612)
Machinery and equipment – Right-to-use leases	(104,272)	(17,783)	103,686	(18,369)
Right-to-use subscriptions	(419,506)	(216,850)	-	(636,356)
Intangibles	(1,134,184)	(18)	546,769	(587,433)
Furniture and fixtures	(653,376)	(46,196)	19,997	(679,575)
Total accumulated depreciation and amortization	(118,845,513)	(4,845,335)	2,282,225	(121,408,623)
Total capital assets, depreciated and amortized, net	63,687,033	11,823,990	(169,606)	75,341,417
Governmental activities capital assets, net	**$ 113,479,678**	**$ 17,118,240**	**$ (15,483,618)**	**$ 115,114,300**

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	1,009,360	2,415,704	(823,556)	2,601,508
Total capital assets not depreciated	3,549,434	2,415,704	(823,556)	5,141,582
Capital assets, depreciated and amortized:				
Buildings	3,885,600	30,841	-	3,916,441
Improvements other than buildings	37,946,990	1,696,535	-	39,643,525
Machinery and equipment	4,702,039	1,058,872	(329,446)	5,431,465
Machinery and equipment – Right-to-use leases	24,876	-	(5,457)	19,419
Intangibles and purchased capacity	15,370,173	-	-	15,370,173
Total capital assets	61,929,678	2,786,248	(334,903)	64,381,023
Less: accumulated depreciation and amortization:				
Buildings	(2,512,562)	(101,020)	-	(2,613,582)
Improvements other than buildings	(28,906,625)	(952,925)	(3,626)	(29,863,176)
Machinery and equipment	(2,409,948)	(293,036)	178,176	(2,524,808)
Machinery and equipment – Right-to-use leases	(18,061)	(4,468)	5,457	(17,072)
Intangibles and purchased capacity	(7,373,666)	(206,478)	-	(7,580,144)
Total accumulated depreciation and amortization	(41,220,862)	(1,557,927)	180,007	(42,598,782)
Total capital assets, depreciated and amortized, net	20,708,816	1,228,321	(154,896)	21,782,241
Business-type activities capital assets, net	**$ 24,258,250**	**$ 3,644,025**	**$ (978,452)**	**$ 26,923,823**

(Continued)

Note 6. Capital Assets (Continued)

Primary Government

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

Governmental activities:		
Legislative	$	38,772
Administration		147,036
Parks and Recreation		542,207
Finance		52,843
Community Development		41,445
Police		559,529
Public Works		3,156,514
Town Attorney		72,356
Non-Departmental		234,633
	$	**4,845,335**
Business-type activities:		
Water and Sewer	$	1,249,033
Golf Course		247,968
Chestnut Grove Cemetery		60,926
	$	**1,557,927**

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	$ 151,862	$ -
Advance billing of 2025 taxes	15,279,261	15,279,261
Intergovernmental	-	172,421
ARPA funding	-	1,585,349
Unavailable - other	243,206	3,340,212
	$ 15,674,329	**$ 20,377,243**

The golf fund showed $29,249 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	$ 7,982,643	$ -	$ (926,507)	$ 7,056,136	$ 917,785
Plus deferred amount for bond premiums	114,891	-	(7,659)	107,232	-
Leases	23,370	72,020	(14,472)	80,918	19,275
Subscriptions	186,897	205,033	(222,461)	169,469	169,469
	8,307,801	277,053	(1,171,099)	7,413,755	1,106,529
Compensated absences	2,843,186	231,705	-	3,074,891	1,415,780
	$ 11,150,987	**$ 508,758**	**$ (1,171,099)**	**$ 10,488,646**	**$ 2,522,309**
Business-Type Activities:					
General obligation bonds	$ 7,139,357	$ -	$ (299,493)	$ 6,839,864	$ 333,215
Financed Purchase	240,000	-	(60,000)	180,000	60,000
Fairfax Water	1,801,715	-	(161,676)	1,640,039	171,360
Leases	6,704	-	(4,508)	2,196	2,196
	9,187,776	-	(525,677)	8,662,099	566,771
Compensated absences	359,437	55,561	-	414,998	177,794
	$ 9,547,213	**$ 55,561**	**$ (525,677)**	**$ 9,077,097**	**$ 744,565**

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 $562,088,328. With total exempt debt of $7,413,755 the town has a legal debt margin of $554,674,573.

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
2026	$ 917,785	$ 178,461	$ 19,275	$ 1,848	$ 169,469	$ 2,446
2027	873,809	160,614	19,437	1,355	-	-
2028	852,211	143,025	19,238	853	-	-
2029	867,481	125,265	17,091	380	-	-
2030	889,850	107,148	5,877	29	-	-
2031-2035	1,390,000	338,380	-	-	-	-
2036-2040	1,265,000	104,277	-	-	-	-
	$ 7,056,136	$ 1,157,170	$ 80,918	$ 4,465	$ 169,469	$ 2,446

	Business-Type Activities Total					
	General Obligations and Fairfax Water		Lease Liabilities		Financed Purchases	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 504,575	$ 320,321	$ 2,196	$ 8	$ 60,000	$ 4,695
2027	506,815	298,975	-	-	60,000	2,817
2028	519,294	276,898	-	-	60,000	939
2029	543,560	254,692	-	-	-	-
2030	410,028	232,202	-	-	-	-
2031-2035	1,377,138	977,984	-	-	-	-
2036-2040	1,613,492	692,165	-	-	-	-
2041-2045	1,375,000	429,688	-	-	-	-
2046-2050	1,630,001	175,000	-	-	-	-
	$ 8,479,903	$ 3,657,925	$ 2,196	$ 8	$ 180,000	$ 8,451

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	$ 3,785,000	$ 5,970,000
General Obligation Public Refunding Bonds	1.04	2020	2030	5,229,000	3,271,136	869,864
Fairfax Water 1994 Agreement	0.00	1994	2029	2,085,419	-	522,179
Fairfax Water 1999 Agreement	0.00	1999	2039	2,452,622	-	1,117,860
Financed Purchase	3.13	2023	2027	300,000	-	180,000
					$ 7,056,136	**$ 8,659,903**
Leases for equipment	Various	2020	2029	157,058	$ 80,918	$ 2,196
Subscriptions	Various	2022	2027	540,548	169,469	-
					$ 250,387	**$ 2,196**

The town has leases for various equipment such as copiers and postage machines for periods expiring between years ended 2026 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 for periods expiring in 2026. 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, 2023, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	187
Inactive members:	
Vested inactive members	67
Non-vested inactive members	112
Active members active elsewhere in VRS	49
Total inactive members	228
Active members	238
Total covered employees	**653**

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, 2025, 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 $1,947,608 and $1,720,542 for the years ended June 30, 2025, and June 30, 2024, 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 $153,626 for the year ended June 30, 2025. 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 $256,649 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $1,127,804 for the year ended June 30, 2025.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

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, 2023, 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, 2024.

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-2020 Improvement Scale with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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 %	6.70 %	2.14 %
Fixed-Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00 %		7.07 %
		*Expected arithmetic nominal return	7.07 %

*The above allocation provides for a one-year return of 7.07% (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 7.10%, 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, 2024, the alternate rate was the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2023	$ 103,850,160	$ 103,204,303	$ 645,857
Service cost	2,149,529	-	2,149,529
Interest	6,968,762	-	6,968,762
Differences between expected and actual experience	3,212,770	-	3,212,770
Contributions – employer	-	1,720,542	(1,720,542)
Contributions – employee	-	1,002,890	(1,002,890)
Net investment income	-	9,931,599	(9,931,599)
Benefit payments, including refunds of employee contributions	(5,517,552)	(5,517,552)	-
Administrative expenses	-	(67,840)	67,840
Other changes	-	1,967	(1,967)
Net changes	6,813,509	7,071,606	(258,097)
Balances at June 30, 2024	**$ 110,663,669**	**$ 110,275,909**	**$ 387,760**

Note 9. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate	1.00% Increase (7.75%)
Political Subdivision's net pension liability (asset)	$ 14,106,611	$ 387,760	$ (10,910,927)

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

For the year ended June 30, 2025, the Political Subdivision recognized pension expense of $769,653. At June 30, 2025, 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	$ 2,157,716	$ 45,379
Net difference between projected and actual earnings on pension plan investments	-	2,899,372
Employer contributions subsequent to the measurement date	1,947,608	-
Total	**$ 4,105,324**	**$ 2,944,751**

Note 9. Defined Benefit Pension Plan (Continued)

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

The $1,947,608 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, 2026. 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
2026	$ (1,400,047)
2027	1,783,650
2028	(558,272)
2029	(612,366)
2030	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS annual report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2025, $256,240 was payable to the Virginia Retirement System for the legally required contributions related to June 2025 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 109 participants in the Plan at June 30, 2025. 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 $242,412 for the fiscal year ended June 30, 2025. Data concerning the value of vested and non-vested benefits as of June 30, 2025, is as follows:

Vested benefits	$	4,096,244
Non-vested benefits		325,618
	$	**4,421,862**

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, 2025, 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, 2025, are separately identified in the fair value measurements table in Note 2.

Note 11. Other Post-Employment Benefits – Local Plan

Plan Description

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

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

As of the July 1, 2024, 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 $3,374,965 was measured as of July 1, 2024, and was determined based on an actuarial valuation performed as of July 1, 2024.

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

Actuarial Assumptions and other inputs

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

Discount Rate	4.09%
Salary increases, including inflation	2.5%, plus productivity component of 1.25%
Healthcare cost trend rates	6.50% for fiscal year end 2025, decreasing 0.25% per year to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Same as Health Care Trend

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

The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an actuarial experience study for the period from July 1, 2023, through June 30, 2024.

Changes in the Total OPEB Liability

Balance at June 30, 2024	$ 3,468,344
Changes for the year:	
Service cost	210,308
Interest	138,563
Differences between expected and actual experience	(241,660)
Assumption or other input changes	(21,001)
Benefit payments	(179,589)
Net changes	(93,379)
Balance at June 30, 2025	**$ 3,374,965**

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

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

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate:

	1.00% Decrease (3.09%)	Current Discount Rate (4.09%)	1.00% Increase (5.09%)
Total OPEB liability	$ 3,677,861	$ 3,374,965	$ 3,103,102

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	$ 3,065,790	$ 3,374,965	$ 3,734,956

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

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

For the year ended June 30, 2025, the town recognized OPEB benefit of $153,996. At June 30, 2025, 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	$ 20,703	$ 540,508
Change in assumptions	83,858	311,695
Employer contributions subsequent to measurement date	50,156	-
Total	**$ 154,717**	**$ 852,203**

The $50,156 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Reduction to OPEB Expense
2026	$ (348,634)
2027	(289,973)
2028	(63,002)
2029	(46,033)
2030	-
Thereafter	-

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

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	$ 161,630	$ 17,959
Noncurrent portion	2,872,707	322,669
Total OPEB liability	$ 3,034,337	$ 340,628

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

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

Plan Descriptions

Group Life Insurance Program

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

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

Specific information for the GLI is available at https://www.varetire.org/benefits-and-programs/benefits/life-insurance/.

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

Plan Descriptions (Continued)

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.

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, 2025 Contribution	$109,260
June 30, 2024 Contribution	$118,694

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

The net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, 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, 2025 proportionate share of liability	$951,770
June 30, 2024 proportion	0.08529%
June 30, 2023 proportion	0.08406%
June 30, 2025 expense	$13,093

At June 30, 2025, 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	$ 150,116	$ 23,249
Changes of assumptions	5,425	47,168
Net difference between projected and actual earnings on OPEB plan investments	-	80,224
Changes in proportion	12,857	29,989
Employer contributions subsequent to the measurement date	109,260	-
Total	**$ 277,658**	**$ 180,630**

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 $109,260 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, 2026. 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
2026	$ (51,213)
2027	10,215
2028	66
2029	11,690
2030	17,010
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, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

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

Actuarial Assumptions and Other Inputs (Continued)

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	$ 4,196,055
Plan fiduciary net position	$ 3,080,133
Employers' net OPEB liability (asset)	$ 1,115,922
Plan fiduciary net position as a percentage of total OPEB liability	73.41%

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00 %	6.70 %	2.14 %
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00 %		7.07 %
*Expected arithmetic nominal return			7.07 %

* The above allocation provides for a one-year expected return of 7.07% (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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14, including inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 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	$ 1,480,126	$ 951,770	$ 524,928

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 2024 Annual Report. A copy of the 2024 VRS may be downloaded from the VRS website at https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. Summary of Other Post Employment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources - OPEB			
Local plan	$ 111,385	$ 43,332	$ 154,717
VRS GLI	249,298	28,360	277,658
Total deferred outflows of resources - OPEB	**$ 360,683**	**$ 71,692**	**$ 432,375**
Net OPEB liability			
Local plan	$ 3,034,337	$ 340,628	$ 3,374,965
VRS GLI	856,726	95,044	951,770
Total net OPEB liability	**$ 3,891,063**	**$ 435,672**	**$ 4,326,735**
Deferred inflows of resources - OPEB			
Local plan	$ 742,730	$ 109,473	$ 852,203
VRS GLI	162,592	18,038	180,630
Total deferred inflows of resources - OPEB	**$ 905,322**	**$ 127,511**	**$ 1,032,833**
OPEB expense (benefit)			
Local plan	$ (132,436)	$ (21,560)	$ (153,996)
VRS GLI	11,786	1,307	13,093
Total OPEB expense (benefit)	**$ (120,650)**	**$ (20,253)**	**$ (140,903)**

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. Prior Period Restatement

During 2025, the Town discovered that several banks in Herndon were sending the 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 material increase to the revenue in 2025.

The Town also established the Stormwater Management Fund. In order to properly represent the revenue in the current and prior years and establish the new fund, the beginning fund balance and net position was restated:

	Governmental Activities	General Fund
Fund balance, June 30, 2024, as previously reported	$ 140,292,428	$ 33,302,394
Prior three years of bank franchise tax revenue	870,764	870,764
Net position, June 30, 2024, as restated	**$ 141,163,192**	**$ 34,173,158**

	Capital Projects Fund	Nonmajor Governmental Funds
Fund balance, June 30, 2024, as previously reported	$ 5,756,254	$ 2,055,317
New fund	(1,840,920)	1,840,920
Net position, June 30, 2024, as restated	**$ 3,915,334**	**$ 3,896,237**

Note 17. New Accounting Standards

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

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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

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TOWN OF Herndon VIRGINIA

www.herndon-va.gov

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HERNDON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
Year Ended June 30, 2025

	Plan Year							
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Total OPEB Liability								
Service cost	$ 210,308	$ 207,900	$ 315,158	$ 255,058	$ 235,451	$ 205,822	$ 132,301	$ 127,335
Interest on total OPEB liability	138,563	128,372	98,923	107,304	161,075	172,343	120,406	116,391
Difference between actual and expected experience	(241,660)	-	(1,010,712)	112,727	(1,201,366)	(73,408)	1,209,950	-
Changes of assumptions	(21,001)	(50,473)	(769,221)	456,570	238,046	201,946	(70,475)	-
Benefit payments	(179,589)	(175,365)	(225,528)	(212,840)	(225,137)	(77,967)	(95,969)	(175,191)
Net change in total OPEB liability	(93,379)	110,434	(1,591,380)	718,819	(791,931)	428,736	1,296,213	68,535
Total OPEB liability (beginning)	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)	$ 3,374,965	$ 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%
Covered employee payroll	$ 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	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.

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, 2025

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					
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, 2025

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					
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, 2025

	Plan Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 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	$ 1,780,620
Interest on total pension liability	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	4,664,075
Benefit payments, including refunds of employee contributions	(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)	(2,406,002)
Difference between actual and expected experience	3,212,770	206,258	(801,670)	(1,098,497)	1,448,447	(482,342)	(297,252)	(1,706,344)	(269,073)	(818,369)
Changes of assumptions	-	-	-	3,457,423	-	2,524,588	-	(521,761)	-	-
Net change in total pension liability	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	3,220,324
Total pension liability (beginning)	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	67,832,645
Total pension liability (ending)	$ 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
Plan Fiduciary Net Position										
Contributions - employer	$ 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	$ 1,562,827
Contributions - employee	1,002,890	911,680	871,165	937,873	859,817	842,610	813,625	876,797	800,721	807,614
Net investment income (loss)	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	2,907,557
Benefit payments, including refunds of employee contributions	(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)	(2,406,002)
Administrative expenses	(67,840)	(64,015)	(64,104)	(55,765)	(53,891)	(52,294)	(47,214)	(47,240)	(40,637)	(39,225)
Other	1,967	2,554	2,335	2,097	(1,845)	(3,286)	(4,893)	(7,263)	(490)	(616)
Net change in plan fiduciary net position	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	2,832,155
Plan fiduciary net position - beginning	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	63,213,171
Plan fiduciary net position - ending	$ 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
Net pension liability (asset) - ending	$ 387,760	$ 645,857	$ 559,665	$ (4,835,978)	$ 9,396,875	$ 3,836,373	$ 1,562,512	$ 2,359,447	$ 7,927,802	$ 5,007,643
Plan fiduciary net position as a percentage of total pension liability	99.65%	99.38%	99.44%	104.97%	89.70%	95.55%	98.06%	96.92%	89.43%	92.95%
Covered payroll	$ 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	$ 15,901,012
Net pension liability (asset) as a percentage of covered payroll	1.77%	3.26%	3.04%	-27.14%	51.11%	21.92%	9.28%	14.16%	47.86%	31.49%

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, 2025

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					
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
2016	1,573,635	1,573,635	-	16,563,441	9.50

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement 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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty:

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

Note 2. Changes of Assumptions (Continued)

Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 75 to 80 for all.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better-fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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 and the Stormwater Management Fund.

TOWN OF HERNDON, VIRGINIA

Exhibit B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue		
	Chestnut Grove Cemetery Perpetual Care Fund	Stormwater Management Fund	Total Nonmajor Governmental funds
ASSETS			
Cash, cash equivalents, and investments - restricted	$ 2,139,507	$ 2,372,387	$ 4,511,894
Receivables - other accounts	-	2,464	2,464
Total assets	$ 2,139,507	$ 2,374,851	$ 4,514,358
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 89,565	$ 89,565
Accrued payroll	-	17,737	17,737
Unearned revenue	-	456,828	456,828
Total liabilities	-	564,130	564,130
Fund balances:			
Restricted:			
Cemetery perpetual care	2,139,507	-	2,139,507
Stormwater	-	1,492,139	1,492,139
Assigned:			
Operating and capital costs	-	318,582	318,582
Total fund balances	2,139,507	1,810,721	3,950,228
Total liabilities and fund balances	$ 2,139,507	$ 2,374,851	$ 4,514,358

TOWN OF HERNDON, VIRGINIA

Exhibit B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2025

	Special Revenue		
	Chestnut Grove Cemetery Perpetual Care Fund	Stormwater Management Fund	Total Nonmajor Governmental funds
Revenues:			
Revenue from local sources:			
Permits	$ -	$ 3,416	$ 3,416
Use of money and property	99,757	115,693	215,450
Intergovernmental	-	603,865	603,865
Total revenues	99,757	722,974	822,731
Expenditures:			
Personnel services	-	275,885	275,885
Operations and maintenance	-	49,858	49,858
Capital outlay	-	427,430	427,430
Total expenditures	-	753,173	753,173
Excess (deficiency) of revenues over expenditures	99,757	(30,199)	69,558
Other financing sources (uses):			
Transfers in	84,190	-	84,190
Transfers out	(99,757)	-	(99,757)
Total other financing sources, net	(15,567)	-	(15,567)
Net change in fund balances	84,190	(30,199)	53,991
Fund balances, July 1, restated (Note 16)	2,055,317	1,840,920	3,896,237
Fund balances, June 30	$ 2,139,507	$ 1,810,721	$ 3,950,228

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real estate taxes	$ 14,000,850	$ 14,000,850	$ 13,893,456	$ (107,394)
Public service corporation taxes	350,000	350,000	347,935	(2,065)
Elderly tax relief exemption	(190,224)	(190,224)	(221,515)	(31,291)
Penalties and interest	45,000	45,000	33,001	(11,999)
Total general property taxes	14,205,626	14,205,626	14,052,877	(152,749)
Other local taxes:				
Consumer utility tax	775,000	775,000	814,233	39,233
Right-of-way use fees	120,000	120,000	90,184	(29,816)
Cigarette tax	148,500	148,500	146,557	(1,943)
Transient occupancy tax	2,030,967	2,030,967	2,106,052	75,085
Meals tax	4,300,000	4,300,000	4,515,554	215,554
Bank stock tax	525,000	525,000	699,947	174,947
Cable TV franchise tax	145,000	145,000	104,183	(40,817)
Business licenses (BPOL)	6,124,898	6,124,898	5,937,342	(187,556)
Utility consumption tax	108,000	108,000	88,978	(19,022)
Motor vehicle licenses	450,000	450,000	457,518	7,518
Local sales tax	2,453,647	2,453,647	2,806,120	352,473
Total other local taxes	17,181,012	17,181,012	17,766,668	585,656
Permits, privilege fees, and regulatory licenses:				
Residential parking permits	650	650	560	(90)
Planning fees	140,000	140,000	183,522	43,522
State stormwater management fees	3,000	3,000	-	(3,000)
Building inspection fees	504,650	504,650	948,377	443,727
Right-of-way permit fees	15,000	15,000	11,798	(3,202)
Total permits, privilege fees, and regulatory licenses	663,300	663,300	1,144,257	480,957
Fines and forfeitures:				
Parking fines	61,500	61,500	101,207	39,707
Court fees - Fairfax County	270,000	270,000	346,298	76,298
Court maintenance fees	6,000	6,000	6,833	833
E-Summons fees	20,000	20,000	23,678	3,678
Zoning fines	2,500	30,062	552	(29,510)
Total fines and forfeitures	360,000	387,562	478,568	91,006

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	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	$ 1,436,790	$ 1,436,790	$ 1,697,235	$ 260,445
Rental income	-	-	1,944	1,944
Lease revenue	384,100	384,100	379,514	(4,586)
Total use of money and property	1,820,890	1,820,890	2,078,693	257,803
Charges for services:				
Franchise lease	75,000	75,000	77,368	2,368
Special refuse collection	20,000	20,000	26,312	6,312
Recycling collection	442,758	442,758	401,345	(41,413)
Recreation program fees	1,163,800	1,163,800	1,416,574	252,774
Admission fees	259,000	259,000	270,449	11,449
Park operation	25,000	25,000	32,422	7,422
Concession	8,500	8,500	11,556	3,056
Rental income - parks & recreation	149,100	149,100	169,742	20,642
Tennis/multi-use facility	200,000	200,000	271,172	71,172
Sale of recyclable materials	6,622	6,622	9,619	2,997
Annual parking space maintenance fee	13,650	13,650	13,650	-
Total charges for services	2,363,430	2,363,430	2,700,209	336,779
Miscellaneous	54,000	54,000	77,893	23,893
Total revenue from local sources	36,648,258	36,675,820	38,299,165	1,623,345
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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Intergovernmental: (Continued)				
Commonwealth:				
Non-categorical aid:				
Police reimbursement (Section 599)	$ 705,668	$ 705,668	$ 733,811	$ 28,143
Communications sales and use tax	1,240,000	1,240,000	1,114,553	(125,447)
Vehicle rental taxes	50,000	50,000	60,710	10,710
Total non-categorical aid	1,995,668	1,995,668	1,909,074	(86,594)
Categorical aid:				
Fire fund program	100,000	100,000	126,355	26,355
Litter control grant	10,000	10,000	10,916	916
Dept. of Criminal Justice Service -				
NOVA regional ICAC grant	40,000	40,000	45,000	5,000
Local law enforcement block grant	5,000	5,000	-	(5,000)
State seized assets	-	132,000	125,054	(6,946)
State grant	30,000	30,000	-	(30,000)
Forestry grant	170,925	170,925	91,514	(79,411)
Arts grant	4,500	4,500	4,500	-
Street and highway maintenance allocation	2,600,000	2,600,000	2,711,936	111,936
Total categorical aid	2,960,425	3,092,425	3,115,275	22,850
Total from the Commonwealth	4,956,093	5,088,093	5,024,349	(63,744)
Federal government:				
Categorical aid:				
Dept. of Transportation/ National Highway Safety Administration - Selective Enforcement Grant	65,770	65,770	12,638	(53,132)
US Dept. of Justice/ Criminal Division Office				
Bullet Proof Vest Grant	5,000	5,000	-	(5,000)
HIDTA Grant	20,000	20,000	-	(20,000)
Miscellaneous	-	-	14,115	14,115
Community Development Block Grant	185,000	185,000	53,246	(131,754)
VRA DEQ Site Remediation	-	-	(18,750)	(18,750)
Total from the Federal government	275,770	275,770	61,249	(214,521)
Total intergovernmental revenue	5,271,863	5,403,863	5,125,598	(278,265)
Other financing sources:				
Proceeds from sale of surplus property	50,000	50,000	323,250	273,250
Insurance recoveries	75,000	104,740	173,516	68,776
Issuance of leases and subscription arrangements	-	-	277,053	277,053
Total other financing sources	125,000	154,740	773,819	619,079
Total General Fund revenues	$ 42,045,121	$ 42,234,423	$ 44,198,582	$ 1,964,159

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Legislative:				
Personnel services	$ 604,594	$ 604,594	$ 601,363	$ 3,231
Operations and maintenance	200,221	221,182	85,927	135,255
Total legislative	804,815	825,776	687,290	138,486
Administration:				
Communications & Economic Development:				
Personnel services	450,801	450,801	438,828	11,973
Operations and maintenance	187,389	286,122	170,660	115,462
Capital outlay	50,000	958	958	-
	688,190	737,881	610,446	127,435
Town manager:				
Personnel services	476,172	476,172	227,596	248,576
Operations and maintenance	13,734	423,734	377,282	46,452
	489,906	899,906	604,878	295,028
Human resources:				
Personnel services	663,274	663,274	701,861	(38,587)
Operations and maintenance	225,791	223,791	193,038	30,753
	889,065	887,065	894,899	(7,834)
Information services:				
Personnel services	951,248	951,248	1,009,935	(58,687)
Operations and maintenance	1,157,773	1,370,404	988,130	382,274
Capital outlay	296,350	159,850	118,534	41,316
	2,405,371	2,481,502	2,116,599	364,903
Total administration	4,472,532	5,006,354	4,226,822	779,532
Town attorney:				
Personnel services	829,826	831,826	833,341	(1,515)
Operations and maintenance	167,723	225,383	306,555	(81,172)
Total town attorney	997,549	1,057,209	1,139,896	(82,687)

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Parks and recreation:				
Administration:				
Personnel services	$ 701,839	$ 701,839	$ 799,169	$ (97,330)
Operations and maintenance	124,500	133,930	131,948	1,982
Capital outlay	-	-	3,787	(3,787)
	826,339	835,769	934,904	(99,135)
Recreation programs:				
Personnel services	1,100,810	1,100,810	806,789	294,021
Operations and maintenance	235,300	197,249	213,170	(15,921)
	1,336,110	1,298,059	1,019,959	278,100
Community center operations:				
Personnel services	859,305	859,305	815,033	44,272
Operations and maintenance	523,500	546,844	487,876	58,968
	1,382,805	1,406,149	1,302,909	103,240
Aquatics programs and operations:				
Personnel services	855,118	855,118	812,257	42,861
Operations and maintenance	163,200	162,550	139,355	23,195
	1,018,318	1,017,668	951,612	66,056
Park operations and development:				
Personnel services	114,466	114,466	111,803	2,663
Operations and maintenance	114,300	177,410	138,490	38,920
Capital outlay	3,500	3,500	2,912	588
	232,266	295,376	253,205	42,171
Total parks and recreation	4,795,838	4,853,021	4,462,589	390,432

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Finance:				
Personnel services	$ 1,858,056	$ 1,858,056	$ 1,856,349	$ 1,707
Operations and maintenance	126,025	168,225	100,952	67,273
Total finance	1,984,081	2,026,281	1,957,301	68,980
Community development:				
Administration:				
Personnel services	2,179,502	2,179,502	2,129,007	50,495
Operations and maintenance	459,678	2,082,866	470,130	1,612,736
Capital outlay	5,952	5,952	3,551	2,401
	2,645,132	4,268,320	2,602,688	1,665,632
Community inspections:				
Personnel services	263,269	263,269	263,131	138
Operations and maintenance	6,490	6,490	3,075	3,415
	269,759	269,759	266,206	3,553
Total community development	2,914,891	4,538,079	2,868,894	1,669,185

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Police:				
Field operations:				
Personnel services	$ 5,345,091	$ 5,345,091	$ 6,541,176	$ (1,196,085)
Operations and maintenance	62,400	62,400	53,312	9,088
Capital outlay	335,400	342,469	307,635	34,834
	5,742,891	5,749,960	6,902,123	(1,152,163)
Support services:				
Personnel services	5,464,209	5,464,209	4,754,543	709,666
Operations and maintenance	795,780	906,586	741,448	165,138
Capital outlay	197,700	215,400	121,849	93,551
	6,457,689	6,586,195	5,617,840	968,355
Total police	12,200,580	12,336,155	12,519,963	(183,808)
Public Works:				
Fleet:				
Personnel services	590,894	590,894	596,493	(5,599)
Operations and maintenance	612,578	612,578	515,369	97,209
	1,203,472	1,203,472	1,111,862	91,610
Operations Integration:				
Personnel services	280,062	280,061	355,086	(75,025)
Operations and maintenance	119,300	144,562	122,400	22,162
Capital outlay	1,225,000	1,317,293	782,109	535,184
	1,624,362	1,741,916	1,259,595	482,321
Administration:				
Personnel services	1,235,556	1,235,556	1,341,163	(105,607)
Operations and maintenance	26,450	32,698	16,097	16,601
Capital outlay	-	2,050	811	1,239
	1,262,006	1,270,304	1,358,071	(87,767)
Engineering:				
Personnel services	1,002,988	1,002,988	1,043,989	(41,001)
Operations and maintenance	95,890	186,421	89,306	97,115
	1,098,878	1,189,409	1,133,295	56,114
Program management:				
Personnel services	321,626	321,626	296,815	24,811
Operations and maintenance	102,800	498,446	366,024	132,422
Capital outlay	-	-	1,000	(1,000)
	424,426	820,072	663,839	156,233

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Public Works: (Continued)				
Building inspections:				
Personnel services	$ 642,769	$ 642,769	$ 624,183	$ 18,586
Operations and maintenance	121,360	125,450	146,085	(20,635)
	764,129	768,219	770,268	(2,049)
Building maintenance:				
Personnel services	578,675	578,675	595,557	(16,882)
Operations and maintenance	1,353,534	1,381,934	1,247,760	134,174
Capital outlay	-	1,290	1,290	-
	1,932,209	1,961,899	1,844,607	117,292
Grounds maintenance:				
Personnel services	899,799	899,799	819,438	80,361
Operations and maintenance	212,427	211,433	179,383	32,050
	1,112,226	1,111,232	998,821	112,411
Street maintenance:				
Personnel services	886,885	886,885	973,248	(86,363)
Operations and maintenance	1,074,930	1,408,074	1,248,356	159,718
	1,961,815	2,294,959	2,221,604	73,355
Refuse/recycling:				
Personnel services	1,335,390	1,335,390	1,397,910	(62,520)
Operations and maintenance	877,046	875,116	856,484	18,632
	2,212,436	2,210,506	2,254,394	(43,888)
Traffic engineering:				
Personnel services	307,328	307,328	342,477	(35,149)
Operations and maintenance	97,976	144,342	143,136	1,206
Capital outlay	135,000	169,852	107,000	62,852
	540,304	621,522	592,613	28,909

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Public Works: (Continued)	$ 321,579	$ 321,579	$ 348,934	$ (27,355)
Right-of-way inspections:	12,244	19,874	14,308	5,566
Personnel services	-	1,360	1,466	(106)
Operations and maintenance				
Capital outlay	333,823	342,813	364,708	(21,895)
Total public works	14,470,086	15,536,323	14,573,677	962,646
Grants:				
Operations	8,781	140,781	140,360	421
Total grants	8,781	140,781	140,360	421
Non-departmental				
Operations	157,689	4,058,389	950,883	3,107,506
Total non-departmental	157,689	4,058,389	950,883	3,107,506
Debt service:				
Principal	1,195,087	1,195,087	1,163,440	31,647
Interest and fiscal charges	199,695	199,695	190,430	9,265
Total debt service	1,394,782	1,394,782	1,353,870	40,912
Other financing uses:				
Transfers out	467,400	467,400	-	467,400
Total other financing uses	467,400	467,400	-	467,400
Total General Fund expenditures	$ 44,669,024	$ 52,240,550	$ 44,881,545	$ 7,359,005

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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Use of money and property	$ -	$ -	$ 193,114	$ 193,114
Miscellaneous	-	-	5,841	5,841
Intergovernmental	2,125,000	2,125,000	155,252	(1,969,748)
Total revenues	2,125,000	2,125,000	354,207	(1,770,793)
Capital Outlay:				
Administration	25,000	25,000	-	25,000
Parks & recreation	100,000	100,000	85,919	14,081
Public works:				
Admin, buildings, and grounds	-	6,000	5,840	160
Streets, sidewalks, and trails	2,375,000	2,823,142	139,372	2,683,770
Other infrastructure	-	462,500	-	462,500
Total expenditures	2,500,000	3,416,642	231,131	3,185,511
Revenues over (under) expenditures	(375,000)	(1,291,642)	123,076	1,414,718
Other financing sources:				
Transfers in	375,000	375,000	-	(375,000)
Total other financing sources	375,000	375,000	-	(375,000)
Net change in fund balance	$ -	$ (916,642)	$ 123,076	$ 1,039,718

TOWN OF Herndon VIRGINIA

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STATISTICAL SECTION

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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.

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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time..... 92-97

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.....98-102

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. 103-106

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....107-108

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 109-112

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

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TOWN OF HERNDON, VIRGINIA **Table 1**
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities:										
Net investment in capital assets	$ 70,494,388	$ 71,246,008	$ 71,885,582	$ 70,826,382	$ 73,311,591	$ 76,256,170	$ 85,163,306	$ 92,390,332	$ 102,658,840	$ 106,865,989
Restricted	3,985,488	1,618,442	2,132,077	2,542,708	1,781,483	1,847,341	6,310,998	2,359,144	2,055,317	2,139,507
Unrestricted	7,336,877	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
Total governmental activities net position	$ 81,816,753	$ 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
Business-type activities:										
Net investment in capital assets	$ 16,773,326	$ 16,771,452	$ 16,649,854	$ 16,512,129	$ 17,092,331	$ 14,818,995	$ 14,191,182	$ 14,578,598	$ 14,929,160	$ 17,427,484
Restricted		151,114	161,671	172,116	155,747	160,515	558,821	91,592	91,566	88,847
Unrestricted	15,399,987	14,653,463	15,559,458	15,985,051	16,082,595	13,426,076	14,327,549	16,680,263	20,443,886	26,696,384
Total business-type activities net position	$ 32,173,313	$ 31,576,029	$ 32,370,983	$ 32,669,296	$ 33,330,673	$ 28,405,586	$ 29,077,552	$ 31,350,453	$ 35,464,612	$ 44,212,715
Primary government:										
Net investment in capital assets	$ 87,267,714	$ 88,017,460	$ 88,535,436	$ 87,338,511	$ 90,403,922	$ 91,075,165	$ 99,354,488	$ 106,968,930	$ 117,588,000	$ 124,293,473
Restricted	3,985,488	1,769,556	2,293,748	2,714,824	1,937,230	2,007,856	6,869,819	2,450,736	2,146,883	2,228,354
Unrestricted	22,736,864	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
Total primary government net position	$ 113,990,066	$ 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
	(1)	(2)				(3)	(4)	(4)	(4)	

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

Notes:
(1) Fiscal Year 2016 unrestricted net position was restated by $726,240 due to the recognition of various fees
(Lateral Sewer fees, Stormwater fees, and BPOL reserve) previously reported as deferred or unearned.

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

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

(4) 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 2**
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses:										
Governmental activities:										
Legislative	$ 677,277	$ 745,753	$ 706,048	$ 734,671	$ 551,445	$ 566,955	$ 521,966	$ 625,269	$ 674,807	$ 695,695
Administration	2,691,531	3,304,796	3,017,512	3,093,764	3,716,194	3,423,026	3,253,326	3,715,691	3,866,263	5,707,995
Town attorney	556,236	606,758	612,209	612,349	837,152	1,001,496	822,127	897,125	1,243,907	1,091,720
Parks and recreation	4,839,122	5,012,560	4,879,803	5,280,626	4,649,822	3,312,797	4,024,864	4,434,240	4,678,985	5,071,686
Finance	1,485,207	1,492,031	1,710,148	1,501,718	1,585,696	1,588,972	1,462,517	1,654,259	1,976,186	1,880,391
Community development	1,682,901	1,672,244	1,699,935	1,896,791	2,205,030	2,318,909	1,578,231	2,474,048	2,368,395	2,492,111
Police	10,021,992	10,079,277	10,242,016	10,390,551	11,141,097	10,801,750	10,013,133	10,805,123	12,788,646	13,240,999
Public works	11,665,946	12,594,496	11,337,194	11,598,171	12,810,607	11,860,528	13,588,564	15,538,878	15,663,061	18,694,196
Interest	287,036	258,075	257,963	491,896	327,914	305,188	245,028	230,704	204,229	176,254
Total governmental activities	33,907,248	35,765,990	34,462,828	35,600,537	37,824,957	35,179,621	35,509,756	40,375,337	43,464,479	49,051,047
Business-type activities:										
Water and sewer	7,044,675	7,606,887	6,999,142	8,090,566	7,245,711	7,461,338	8,224,221	8,151,096	8,652,814	11,317,870
Golf course	1,506,117	1,559,749	1,572,043	1,503,005	1,516,523	1,684,876	1,633,991	1,899,298	2,197,969	2,266,575
Chestnut Grove cemetery	710,164	708,383	668,944	703,935	682,704	784,405	758,540	688,507	714,784	828,770
Downtown parking	72,623	111,913	133,985	110,788	61,674	101,603	-	-	-	-
Total business-type activities	9,333,579	9,986,932	9,374,114	10,408,294	9,506,612	10,032,222	10,616,752	10,738,901	11,565,567	14,413,215
Total government expenses	43,240,827	45,752,922	43,836,942	46,008,831	47,331,569	45,211,843	46,126,508	51,114,238	55,030,046	63,464,262
Program revenue:										
Governmental activities:										
Charges for services:										
Administration	9,675	41,075	35,976	6,892	3,205	8,485	52,176	20,273	27,280	23,269
Parks and recreation	2,710,943	2,767,730	2,767,916	2,873,136	1,399,288	472,882	1,603,104	1,800,092	1,750,028	2,171,915
Finance	560,500	571,700	588,333	588,333	583,894	583,894	-	-	-	-
Police	447,552	397,691	430,685	460,288	332,689	259,372	335,707	319,681	407,157	454,338
Public works	762,796	710,671	749,504	1,208,825	821,113	898,653	1,066,314	1,016,307	1,230,640	1,596,144
Operating grants and contributions:										
Community development	40,000	40,000	40,000	40,000	40,000	140,000	40,000	78,940	40,000	40,000
Police	666,752	707,588	864,195	745,352	2,530,623	3,208,911	778,758	1,191,527	672,074	795,060
Public works	953,146	1,178,505	1,046,761	1,080,054	1,194,716	1,234,256	1,145,267	1,266,252	1,419,895	1,557,638
Capital grants and contributions:										
Public works	3,244,961	2,168,349	2,765,821	2,658,343	4,945,608	2,167,274	10,904,664	11,323,314	17,625,379	9,304,088
Total governmental activities program revenue	9,396,325	8,583,309	9,289,191	9,661,223	11,851,136	8,973,727	15,925,990	17,016,386	23,172,453	15,942,452

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Water and sewer	$ 6,127,359	$ 6,506,438	$ 6,935,184	$ 7,170,706	$ 6,900,460	$ 6,342,651	$ 6,861,887	$ 7,874,004	$ 9,057,751	$ 10,171,542
Golf course	1,401,722	1,497,289	1,372,186	1,389,986	1,183,263	2,216,761	2,335,733	2,620,230	2,817,775	2,900,057
Chestnut Grove cemetery	783,598	890,165	967,731	905,155	821,964	1,144,677	1,298,235	1,146,629	1,164,493	1,467,144
Downtown parking	-	26,903	-	-	-	-	-	-	-	-
Capital grants and contributions:										
Water and sewer	-	-	-	-	-	-	130,228	84,070	1,237,668	7,128,714
Golf course	-	-	-	-	-	-	-	-	-	-
Chestnut Grove cemetery	-	-	-	-	-	-	-	-	167,517	-
Total business-type activities program revenues	8,312,679	8,920,795	9,275,101	9,465,847	8,905,687	9,704,089	10,626,083	11,724,933	14,445,204	21,667,457
Total government program revenues	17,709,004	17,504,104	18,564,292	19,127,070	20,756,823	18,677,816	26,552,073	28,741,319	37,617,657	37,609,909
Net (expense) revenue (1):										
Governmental activities	(24,510,923)	(27,182,681)	(25,173,637)	(25,939,314)	(25,973,821)	(26,205,894)	(19,583,766)	(23,358,951)	(20,292,026)	(33,108,595)
Business-type activities	(1,020,900)	(1,066,137)	(99,013)	(942,447)	(600,925)	(328,133)	9,331	986,032	2,879,637	7,254,242
Total government net expense	(25,531,823)	(28,248,818)	(25,272,650)	(26,881,761)	(26,574,746)	(26,534,027)	(19,574,435)	(22,372,919)	(17,412,389)	(25,854,353)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	11,040,763	11,218,438	11,416,010	11,690,750	12,255,705	12,837,288	12,868,724	13,723,835	13,914,320	14,004,007
Business license	4,868,291	5,569,516	5,732,161	4,930,755	5,871,507	6,786,720	5,881,836	6,523,651	7,146,880	5,949,145
Transient occupancy	2,169,852	2,199,410	2,286,397	2,345,943	1,607,031	855,309	1,512,110	1,681,394	2,053,220	2,106,052
Meals	2,173,102	2,215,677	2,266,761	2,308,551	2,975,487	2,876,751	3,590,406	4,203,292	4,401,059	4,549,985
Local sales	1,871,189	1,798,728	1,818,023	1,871,909	1,897,945	2,033,030	2,326,918	2,391,096	2,666,736	2,806,121
Other local taxes	2,290,371	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
Revenues not restricted to specific programs	90,539	93,362	102,243	66,330	58,203	73,470	70,798	72,926	75,114	77,368
Intergovernmental, non-categorical aid	1,868,193	2,067,279	1,583,697	1,482,539	1,460,834	1,304,101	1,281,151	1,248,438	1,182,849	1,178,678
Use of money and property	1,027,152	909,502	688,957	1,355,800	1,078,968	555,187	548,544	2,666,203	3,537,262	2,834,239
Gain on sale of capital assets	14,927	-	-	65,954	19,727	80,168	60,312	57,512	163,797	323,250
Miscellaneous and lease income	708,184	206,101	350,137	481,258	101,558	104,917	120,117	715,221	387,272	257,250
Transfers	(174,904)	(155,593)	(144,987)	(218,825)	(12,302)	5,196,589	71,568	(7,345)	(40,903)	(15,567)
Total governmental activities	27,947,659	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

TOWN OF HERNDON, VIRGINIA **Table 2**
CHANGES IN NET POSITION **Page 3**
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Intergovernmental, non-categorical aid	$ -	$ -	$ -	$ -	$ 449,725	$ 14,220	$ 1,373	$ -	$ -	$ 250,000
Use of money and property	325,396	68,405	132,979	369,224	224,571	22,505	60,622	630,914	930,910	1,018,072
Gain on sale of capital assets	-	6,370	33,556	12,904	10,800	-	60,760	20,079	93,750	20,126
Miscellaneous	603,232	511,630	582,445	639,807	564,904	562,910	611,448	628,531	168,959	190,096
Transfers	174,904	155,593	144,987	218,825	12,302	(5,196,589)	(71,568)	7,345	40,903	15,567
Total business-type activities	1,103,532	741,998	893,967	1,240,760	1,262,302	(4,596,954)	662,635	1,286,869	1,234,522	1,493,861
Total primary government	29,051,191	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
Changes in net position:										
Governmental activities	3,436,736	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
Business-type activities	82,632	(324,139)	794,954	298,313	661,377	(4,925,087)	671,966	2,272,901	4,114,159	8,748,103
Total primary government	$ 3,519,368	$ 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

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

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

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund:										
Nonspendable	$ 291,196	$ 338,093	$ 252,186	$ 211,510	$ 166,659	$ 258,029	$ 354,739	$ 289,246	$ 335,367	$ 263,480
Restricted	3,170	3,228	310,000	-	2,224	1,095,266	1,097,996	1,053,197	-	-
Committed	1,000,000	1,200,000	1,400,000	-	-	-	-	-	-	-
Assigned	2,898,995	2,859,002	2,869,397	5,581,134	5,338,176	6,114,606	10,606,684	11,541,956	13,329,127	14,054,019
Unassigned	9,084,025	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
Total General Fund	$ 13,277,386	$ 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
All Other Governmental Funds:										
Nonspendable	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ -	$ -	$ 5,000	$ 5,000	$ -	$ -
Restricted	4,019,354	1,764,513	2,132,077	6,073,939	6,293,607	6,353,031	6,307,965	3,668,703	3,896,236	3,631,646
Assigned	3,942,806	6,510,193	6,335,363	6,944,452	5,308,565	4,640,086	2,955,830	5,768,212	5,640,429	6,202,446
Unassigned	(16,879)	(330,872)	(206,498)	-	-	-	-	-	-	-
Total all other governmental funds	$ 7,970,281	$ 7,968,834	$ 8,285,942	$ 13,043,391	$ 11,602,172	$ 10,993,117	$ 9,268,795	$ 9,441,915	$ 9,536,665	$ 9,834,092

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

Notes:
(*) 2022 - 2024 Unassigned Fund Balane 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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues:										
General property taxes	$ 11,029,513	$ 11,214,419	$ 11,367,365	$ 11,691,186	$ 12,241,266	$ 12,822,398	$ 12,914,409	$ 13,805,589	$ 13,931,052	$ 14,052,877
Other local taxes	13,372,805	14,177,297	14,463,451	13,750,341	14,212,059	14,562,162	15,128,514	17,468,036	18,692,471	17,766,668
Permits, privilege fees and regulatory licenses	630,218	559,488	603,773	1,057,412	585,191	457,719	613,968	572,280	791,911	1,147,673
Fines and forfeitures	463,312	423,335	452,965	485,008	353,593	281,512	359,468	342,056	430,153	478,568
Use of money and property	1,027,152	909,502	688,957	1,355,800	1,078,968	555,187	548,544	2,666,203	3,537,262	2,834,239
Charges for services	3,488,475	3,599,406	3,619,194	3,662,069	2,248,267	1,525,312	2,157,122	2,356,037	2,268,154	2,700,209
Miscellaneous	708,184	206,101	350,137	258,073	51,691	9,985	58,915	400,765	231,752	83,734
Intergovernmental	6,773,052	6,161,721	6,300,473	6,006,287	10,171,781	8,054,541	14,149,839	14,738,259	21,310,408	12,872,048
Total revenues	37,492,711	37,251,269	37,846,315	38,266,176	40,942,816	38,268,816	45,930,779	52,349,225	61,193,163	51,936,016
Expenditures:										
Legislative	654,549	698,951	699,202	713,209	500,752	507,091	507,879	613,312	653,438	687,290
Administration	2,582,772	3,131,313	2,863,707	3,006,360	2,978,610	2,775,022	3,111,207	3,357,954	3,583,077	4,226,822
Town attorney	476,792	476,844	489,362	471,179	676,293	726,639	776,886	833,754	1,227,454	1,139,896
Parks and recreation	4,136,245	4,288,848	4,449,527	4,675,180	3,934,039	2,665,348	3,569,187	3,961,843	4,039,609	4,462,589
Finance	1,427,806	1,518,192	1,716,122	1,532,617	1,508,139	1,477,878	1,517,999	1,646,904	1,993,944	1,957,301
Community development	1,598,172	1,686,329	1,736,736	1,947,330	2,102,628	1,912,361	2,019,189	2,671,606	2,613,920	2,868,894
Police	9,848,958	9,603,136	10,074,661	10,222,766	10,328,678	9,849,301	9,730,969	10,601,772	12,345,300	12,519,963
Public works	10,014,006	10,735,437	10,239,065	9,767,767	10,432,212	9,225,472	11,022,952	13,122,731	12,884,499	14,573,677
Grants	46,618	74,628	151,977	69,523	84,490	278,570	43,525	8,363	41,746	140,360
Non-departmental					457,223	377,676	58,646	68,781	(8,515)	1,276,626
Capital outlay	3,296,422	3,040,310	3,109,930	1,755,189	5,220,582	1,522,495	12,201,731	13,322,378	17,524,766	7,872,517
Debt service:										
Principal	1,102,539	1,090,629	1,256,739	1,344,287	1,189,054	5,877,930	1,015,683	1,236,103	1,293,277	1,163,440
Interest and fiscal charges	313,792	283,733	283,989	457,264	558,394	396,744	261,940	247,829	221,686	190,430
Total expenditures	35,498,671	36,628,350	37,071,017	35,962,671	39,971,094	37,592,527	45,837,793	51,693,330	58,414,201	53,079,805
Excess of revenues over (under) expenditures	1,994,040	622,919	775,298	2,303,505	971,722	676,289	92,986	655,895	2,778,962	(1,143,789)
Other financing sources (uses):										
Transfers in	1,474,921	1,535,807	1,335,013	827,525	234,281	1,816,456	819,463	2,461,548	316,384	84,190
Transfers out	(1,649,825)	(1,691,400)	(1,480,000)	(1,046,350)	(246,583)	(141,416)	(747,895)	(2,468,893)	(357,287)	(99,757)
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	14,927	-	-	65,954	19,727	84,502	78,731	306,273	205,470	323,250
Issuance of leases and subscriptions	-	-	-	-	-	-	-	86,887	56,422	277,053
Insurance recoveries	-	-	-	222,501	49,867	94,932	61,202	314,456	155,520	173,516
Total other financing sources (uses), net	(159,977)	(155,593)	824,013	3,755,896	57,292	6,942,389	213,039	700,271	376,509	758,252
Net changes in fund balances	$ 1,834,063	$ 467,326	$ 1,599,311	$ 6,059,401	$ 1,029,014	$ 7,618,678	$ 306,025	$ 1,356,166	$ 3,155,471	$ (385,537)
Total debt service	$ 1,416,331	$ 1,374,362	$ 1,540,728	$ 1,801,551	$ 1,747,448	$ 6,274,674	$ 1,277,623	$ 1,483,932	$ 1,514,963	$ 1,353,870
Total expenditures	$ 35,498,671	$ 36,628,350	$ 37,071,017	$ 35,962,671	$ 39,971,094	$ 37,592,527	$ 45,837,793	$ 51,693,330	$ 58,414,201	$ 53,079,805
Less: capital outlay	(3,549,414)	(3,370,996)	(3,752,903)	(1,678,206)	(5,293,568)	(1,322,688)	(11,909,025)	(13,137,562)	(16,551,980)	(7,750,428)
Noncapital expenditures	$ 31,949,257	$ 33,257,354	$ 33,318,114	$ 34,284,465	$ 34,677,526	$ 36,269,839	$ 33,928,768	$ 38,555,768	$ 41,862,221	$ 45,329,377
Debt service as a percentage of noncapital expenditures	4.43%	4.13%	4.62%	5.25%	5.04%	17.30%	3.77%	3.85%	3.62%	2.99%

Source:

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

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
2016	11,029,513	4,868,291	2,173,102	2,169,852	1,871,189	394,486		358,906	330,796	872,267	333,916	24,402,318
2017	11,214,419	5,569,516	2,215,677	2,199,410	1,798,728	402,719		431,639	288,484	876,765	394,359	25,391,716
2018	11,367,364	5,732,161	2,266,761	2,286,397	1,818,023	407,637		459,417	271,983	886,500	334,572	25,830,815
2019	11,691,186	4,930,755	2,308,551	2,345,943	1,871,909	386,039		461,004	254,081	888,455	303,604	25,441,527
2020	12,241,266	5,767,393	2,845,607	1,573,340	1,897,945	288,186		455,175	209,757	874,759	299,897	26,453,325
2021	12,822,398	6,680,365	2,805,350	888,999	2,033,030	406,526		432,593	178,772	867,110	269,417	27,384,560
2022	12,914,409	5,863,537	3,447,384	1,267,569	2,326,918	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
Change 2016-2025	27.41%	21.96%	107.79%	-2.94%	49.96%	77.43%		27.48%	-55.70%	3.55%	-41.79%	30.40%

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 previoulsy 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
2016	2,256,968,560	1,823,038,660	114,688,984	220,801,220	4,415,497,424	4,194,696,204	1.2%	0.2650	4,194,696,204	100.00%
2017	2,348,465,120	1,848,104,770	124,886,642	239,891,960	4,561,348,492	4,321,456,532	3.0%	0.2650	4,321,456,532	100.00%
2018	2,430,186,400	1,890,348,960	119,777,904	241,876,120	4,682,189,384	4,440,313,264	2.8%	0.2650	4,440,313,264	100.00%
2019	2,546,334,900	1,971,459,740	122,069,304	252,749,430	4,892,613,374	4,639,863,944	4.5%	0.2650	4,639,863,944	100.00%
2020	2,631,535,050	2,098,506,390	123,604,788	260,867,840	5,114,514,068	4,853,646,228	4.6%	0.2650	4,853,646,228	100.00%
2021	2,742,953,080	2,051,179,410	117,428,156	255,179,930	5,166,740,576	4,911,560,646	1.2%	0.2650	4,911,560,646	100.00%
2022	3,040,609,020	2,134,122,810	120,470,511	271,536,580	5,566,738,921	5,295,202,341	7.8%	0.2650	5,295,202,341	100.00%
2023	3,222,879,610	2,110,160,790	122,445,557	288,379,870	5,743,865,827	5,455,485,957	3.0%	0.2600	5,455,485,957	100.00%
2024	3,372,724,630	2,012,217,580	123,925,244	297,596,690	5,806,464,144	5,508,867,454	1.0%	0.2600	5,508,867,454	100.00%
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%

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
2016	0.265	-	1.130	4.57	1.395	4.57
2017	0.265	-	1.130	4.57	1.395	4.57
2018	0.265	-	1.150	4.57	1.415	4.57
2019	0.265	-	1.150	4.57	1.415	4.57
2020	0.265	-	1.150	4.57	1.415	4.57
2021	0.265	-	1.140	4.57	1.405	4.57
2022	0.265	-	1.110	4.57	1.375	4.57
2023	0.260	-	1.095	4.57	1.355	4.57
2024	0.260	-	1.125	4.57	1.385	4.57
2025	0.270	-	1.1225	4.57	1.393	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)

	2025			2016		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Westerly at Worldgate Owner LLC	$ 81,636,290	1	1.42 %	$ -	-	- %
MREI V TOWNES LLC	81,196,810	2	1.41	-	-	-
USGBF 499 Grove Street LLC	76,774,930	3	1.33	-	-	-
USGBF 399 Grove Street LLC	63,576,880	4	1.10	-	-	-
Dulles Suites LLC	52,666,980	5	0.91	-	-	-
MIVPO LLC	48,854,610	6	0.85	56,554,760	7	1.35
Stuart Woods Project LLC	45,078,680	7	0.78	-	-	-
VanMetre Dulles Apartments LLC	44,649,860	8	0.77	-	-	-
Stuart Woods II Project LLC	43,246,260	9	0.75	-	-	-
661 Dulles Park Ct Owner LLC	43,141,410	10	0.75	-	-	-
BP New Dominion Technology	-	-	-	74,129,800	1	1.77
New Dominion	-	-	-	67,583,590	2	1.61
GSG Residential Westerly	-	-	-	62,584,810	3	1.49
GSG Residential Townes	-	-	-	60,005,960	4	1.43
Worldgate Centre Owner LLC	-	-	-	59,901,780	5	1.43
Inland America Herndon Worldgate	-	-	-	58,837,590	6	1.40
Realty Associates Fund IX LP	-	-	-	51,858,220	8	1.24
RREEF America Reit II Corp VVV	-	-	-	46,244,020	9	1.10
Washington Real Estate Investment Trust	-	-	-	47,412,790	10	1.13
Total	$ 580,822,710		10.07 %	$ 585,113,320		13.95 %

Sources:
County of Fairfax Department of Tax Administration (Real Estate Division)
Town of Herndon Finance Department (2016 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
2015	$ 10,705,433	$ 10,674,237	99.71%	$ 30,969	$ 10,705,206	100.00%
2016	10,805,027	10,767,440	99.65%	37,587	10,805,027	100.00%
2017	11,019,662	10,999,443	99.82%	20,501	11,019,944	100.00%
2018	11,449,420	11,434,920	99.87%	14,500	11,449,420	100.00%
2019	11,965,659	11,794,199	98.57%	169,118	11,963,317	99.98%
2020	12,534,612	12,388,867	98.84%	143,349	12,532,216	99.98%
2021	12,704,453	12,617,454	99.32%	83,858	12,701,312	99.98%
2022	13,713,041	13,529,086	98.66%	177,822	13,706,908	99.96%
2023	13,865,905	13,526,299	97.55%	297,307	13,823,606	99.69%
2024	14,000,849	13,627,287	97.33%	258,610	13,885,897	99.18%

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					General Bonded Debt Outstanding		General Bonded Debt Outstanding
Fiscal Year June 30,	General Obligation Bonds	Leases Subscriptions and Notes	Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2016	$ 11,353,283	$ 83,158	$ 2,355,385	$ -	$ 13,791,826	0.76	583	$ 11,353,283	27%	480
2017	10,253,274	78,794	2,036,746	-	12,368,814	0.66	521	10,253,274	24%	432
2018	10,031,639	-	1,771,516	-	11,803,155	0.63	496	10,031,639	23%	421
2019	12,354,914	-	9,352,703	3,681,872	25,389,489	1.35	1,060	12,354,914	27%	516
2020	10,947,964	-	8,817,990	3,419,303	23,185,257	1.17	964	10,947,964	23%	455
2021	11,106,525	-	7,660,345	3,178,614	21,945,484	1.06	912	11,106,525	23%	462
2022	10,125,610	80,027	7,492,099	2,934,891	20,632,627	0.96	857	10,125,610	19%	421
2023	9,125,112	426,387	7,318,437	2,279,146	19,149,082	0.83	784	9,125,112	17%	374
2024	8,097,534	210,267	7,139,357	2,048,420	17,495,578	0.71	716	8,097,534	15%	331
2025	7,163,368	250,387	6,839,864	1,822,234	16,075,853	0.57	620	7,163,368	12%	276

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

Notes:
(1) Details regarding the town's outstanding debt may be found in the notes to the basic financial statements.

(2) Population and personal income data can be found in table 14.

(3) See table 6 for taxable value of property.

(4) The Downtown Parking Fund debts were reclassified from business-type to governmental activities 2021.

TOWN OF HERNDON, VIRGINIA **Table 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2025
(Unaudited)

Governmental Unit	Debt Outstanding	Percentage Applicable (1)	Share of Overlapping Debt (2)
Fairfax County, Virginia	$ 2,945,463,725	1.73%	$ 50,893,409
Town Direct Debt (3)	7,413,755	100%	7,413,755
Total direct and overlapping debt	$ 2,952,877,480		$ 58,307,164

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 **Table 12**
LEGAL DEBT MARGIN
Last Ten Fiscal Years
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	$ 408,000,722	$ 419,656,989	$ 432,053,536	$ 451,779,464	$ 473,004,144	$ 479,413,249	$ 517,473,183	$ 533,304,040	$ 538,494,221	$ 562,088,328
Total debt applicable to limit	11,436,441	10,332,068	10,031,639	12,354,914	10,205,637	11,106,523	10,205,637	9,551,499	8,307,802	7,413,755
Legal debt margin	$ 396,564,281	$ 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
Total debt applicable to the limit as a percentage of debt limit	2.80%	2.46%	2.32%	2.73%	2.16%	2.32%	1.97%	1.79%	1.54%	1.32%

Legal Debt Margin Calculation for Fiscal Year 2025:

Assessed value of real estate	$5,620,883,280
Debt limit (10% of assessed value) (1)	562,088,328
Total Debt applicable to limit:	7,413,755
Legal debt margin	$ 554,674,573

Summary of Outstanding Governmental Debt:

2018B General obligation bonds	$ 3,785,000
2020A Refunding bonds (2010 GO & 2014 refund)	3,271,136
Leases	80,918
Subscriptions	169,469
Deferred bond premiums	107,232
Total debt applicable to limit	$ 7,413,755

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

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
2016	$ 1,502,549	$ 1,238,349	$ 264,200	$ 96,562	$ 34,538	$ 131,100	2.02
2017	1,510,009	1,298,643	211,366	100,501	30,848	131,349	1.61
2018	1,442,234	1,313,374	128,860	103,977	26,802	130,779	0.99
2019	1,472,969	1,244,250	228,719	108,767	22,602	131,369	1.74
2020	1,247,685	1,269,174	(21,489)	111,993	22,783	134,776	(0.16)
2021	2,279,480	1,487,992	791,488	37,707	20,206	57,913	13.67
2022	2,403,318	1,423,777	979,541	19,639	3,965	23,604	41.50
2023	2,792,673	1,712,053	1,080,620	20,021	15,846	35,867	30.13
2024	3,031,262	1,971,674	1,059,588	80,020	11,253	91,273	11.61
2025	3,138,102	2,009,776	1,128,326	125,641	9,835	135,476	8.33

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
2016	$ 839,852	$ 539,973	$ 299,879	$ 146,638	$ 42,140	$ 188,778	1.59
2017	899,125	552,130	346,995	207,234	36,166	243,400	1.43
2018	1,026,042	515,428	510,614	154,079	29,106	183,185	2.79
2019	982,863	552,786	430,077	157,946	24,947	182,893	2.35
2020	879,318	531,954	347,364	161,511	23,014	184,525	1.88
2021	1,211,864	574,258	637,606	39,033	25,164	64,197	9.93
2022	1,401,415	626,039	775,376	28,607	5,226	33,833	22.92
2023	1,302,268	622,339	679,929	29,060	5,036	34,096	19.94
2024	1,367,546	653,775	713,771	29,060	4,845	33,905	21.05
2025	1,701,453	755,687	945,766	93,852	6,059	99,911	9.47

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-10 and A-11

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)
2016	23,666	$ 76,213	$ 1,803,657	185,979	3.3
2017	23,734	78,376	1,860,176	187,484	3.2
2018	23,809	78,376	1,866,054	188,403	2.7
2019	23,949	78,376	1,877,027	187,474	2.3
2020	24,042	82,441	1,982,047	188,355	7.8
2021	24,057	86,141	2,072,294	179,748	4.1
2022	24,069	88,971	2,141,443	178,421	2.5
2023	24,428	94,677	2,312,770	177,570	2.5
2024	24,428	101,400	2,476,999	180,527	2.7
2025	25,935	108,855	2,823,154	181,701	3.7

Sources:
(1) Town of Herndon, Community Development Annual Population Estimate memo.

(2) www.bea.gov Tools>Interactive Data> Regional Data>GDP & Personal Income> Personal Income and Employment (CAINC)>Fairfax County - updated November 2023.

(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)

	2025			2016	
Employer	Number of Employees (1)	Rank	Percentage of Total Town Employment (2)	Number of Employees (3)	Rank
Serco	500-749	1	2.66%	-	-
Amazon Web Services	250-499	2	2.03%	-	-
Karsun Solutions	250-499	3	1.91%	-	-
Northwest Federal Credit Union	250-499	4	1.70%	249-499	5
Peraton	250-499	5	1.61%	-	-
Boeing Corporation	250-499	6	1.55%	100-250	10
Town of Herndon	100-249	7	1.10%	249-499	6
Smartronix Inc	100-249	8	1.03%	-	-
Everfox Holdings LLC	100-249	9	0.90%	-	-
Allwyn Corporation	100-249	10	0.86%	-	-
Amazon Corporation LLC	-	-	-	Over 500	1
Booz Allen Hamilton Inc.	-	-	-	Over 500	2
Fannie Mae	-	-	-	Over 500	3
Harris Corporation	-	-	-	Over 500	4
Worldgate Sport & Health Club	-	-	-	100-250	7
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 2016 Annual Comprehensive Financial Report.

Note:

Percentage of total town employment for fiscal year 2016 is not available.

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legislative	3.0	3.9	3.1	2.9	3.4	3.6	3.2	2.9	3.0	2.9
Administration:										
Communications & economic engage office	2.8	2.8	2.9	3.0	2.7	2.8	2.8	2.7	2.2	2.5
Town manager	2.8	3.0	3.0	2.9	1.4	2.0	2.0	2.0	2.0	1.0
Human resources	3.6	3.7	3.8	3.7	3.8	3.8	4.3	4.6	4.8	4.8
Information services	6.1	5.5	5.9	6.3	6.2	5.2	5.4	6.1	6.2	6.6
Town attorney	2.5	2.7	2.7	2.8	4.1	4.6	4.6	4.6	4.6	4.6
Parks and recreation:										
Administration	5.7	5.8	5.8	5.8	5.6	5.6	5.4	5.2	5.0	5.6
Recreation programs	16.3	15.9	16.4	15.6	13.3	4.6	8.2	10.1	11.0	11.7
Community center operations	16.0	16.4	15.7	17.3	15.3	8.1	8.3	8.7	8.8	8.5
Aquatics programs and operations	12.1	13.4	13.9	14.0	11.1	4.8	8.8	10.3	11.0	11.8
Park operation and development	0.8	1.5	2.2	2.6	2.1	1.3	1.3	1.2	1.5	1.7
Finance Administration										
Finance Administration	1.0	1.1	2.0	1.9	2.5	2.3	2.1	12.0	12.7	11.9
Accounting	5.8	6.3	6.2	5.7	5.0	4.4	4.8	0.0	0.0	0.0
Revenue	2.7	2.8	2.4	2.8	3.2	4.2	4.1	0.0	0.0	0.0
Procurement	1.0	0.8	1.0	1.0	1.0	1.0	0.9	0.0	0.0	0.0
Community development	14.8	15.5	14.5	16.3	16.8	15.6	16.1	16.7	16.7	16.0
Police:										
Field operations	45.1	47.1	42.2	42.3	42.9	38.6	36.0	35.4	37.3	39.5
Support services	34.8	35.0	35.3	34.4	32.3	34.4	35.2	38.1	39.3	36.4
Public works:										
Operations integration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8
Stormwater	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4
Administration	6.9	6.5	6.5	6.3	5.9	6.0	7.3	7.7	7.7	8.1
Engineering	3.9	4.9	4.8	5.3	5.1	6.0	6.3	7.0	7.0	7.0
Program management	1.5	1.3	1.8	1.8	2.0	2.0	2.2	2.5	2.4	1.8
Building inspections	4.6	4.9	4.6	4.3	4.9	4.3	5.0	5.0	5.0	4.9
Building maintenance	7.2	7.0	7.0	6.8	6.0	4.4	5.1	5.9	7.1	5.5
Grounds maintenance	12.3	12.6	11.7	11.7	11.6	11.9	11.0	10.5	9.9	9.1
Street maintenance	10.3	10.2	9.7	8.7	8.9	9.3	8.4	7.9	8.8	8.6
Refuse/recycling	16.9	15.2	13.9	14.5	14.1	14.9	14.5	15.8	16.1	15.3
Vehicle and equipment replacement	10.5	10.0	8.9	8.9	8.0	7.6	8.5	8.6	6.5	5.2
Traffic engineering	2.6	3.1	3.0	3.0	2.6	3.0	2.8	2.2	2.7	2.8
Right-of-way inspections	3.1	3.0	3.0	3.0	2.8	3.0	3.0	2.4	2.3	3.0

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water and Sewer:										
Customer service	3.5	4.3	3.1	2.9	2.9	2.4	2.8	2.2	2.9	3.0
Sewer service and maintenance	5.1	4.8	5.2	5.4	6.7	5.5	6.7	7.7	7.8	8.2
Water supply and maintenance	7.7	7.4	6.7	5.2	4.4	4.7	5.0	5.8	6.2	7.5
Golf Course:										
Maintenance	6.8	7.3	6.7	6.5	6.4	7.4	7.4	6.7	7.4	7.5
Clubhouse	5.4	5.5	5.5	5.1	4.5	6.0	5.1	6.3	6.4	6.6
Chestnut Grove Cemetery:										
Administration	4.3	4.7	4.7	5.0	4.4	4.8	4.9	4.6	4.8	4.8
Total	289.5	295.9	285.8	285.7	273.9	250.1	259.5	269.4	277.1	279.6

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police:										
Calls for service (1)	35,520	21,967	24,253	23,246	23,102	22,332	24,020	25,518	28,590	26,400
Human Resources:										
Recruitments requests (2)	64	43	67	64	83	115	138	193	207	124
Building safety:										
Total building permits (3)	263	237	298	280	193	217	469	166	290	218
Total inspections performed (3)	3,496	3,433	3,340	4,460	3,096	2,217	2,293	2,393	2,560	2,528
Public service:										
Refuse collected (tons) (1)	6,410	6,537	6,309	6,358	6,179	6,801	5,357	5,354	5,824	5,203
Recycle collected (residential - tons) (1)	1,711	1,752	1,803	1,789	1,633	1,622	1,381	1,364	1,332	1,325
Parks and Recreation:										
Class and program attendance (4)	11,600	13,700	12,300	13,700	8,500	1,200	5,200	6,600	7,214	8,813
Herndon Festival attendance (4)	78,500	81,500	40,300	62,000	0	0	30,000	34,276	0	0
Water and sewer:										
New utility accounts (3)	35	26	75	3	3	2	3	0	33	36
Average daily water consumption (mgd) (3)	2.13	2.24	2.28	2.21	2.19	1.99	2.02	2.02	2.02	2.02
Average daily sewage treatment (mgd) (3)	2.44	2.67	2.88	3.36	3.02	2.95	2.86	2.82	2.59	2.75
Golf Course:										
Rounds played (18 and 9 hole) (5)	33,112	33,029	31,369	31,401	27,301	47,397	47,846	47,922	52,378	48,363
Cemetery:										
Interment rights for sites sold (1)	132	148	171	148	152	199	231	161	190	323
Interments performed (1)	140	133	161	140	153	175	183	162	168	189

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police:										
Stations (1)	1	1	1	1	1	1	1	1	1	1
Vehicles (1)	47	47	47	47	50	47	45	50	60	56
Refuse Collection:										
Collection trucks (2)	10	10	10	10	17	16	16	15	14	14
Other public works:										
Vehicles/equipment maintained (2)	429	533	567	552	514	553	527	506	431	490
Streets:										
Primary (miles) (2)	31.3	31.3	41.6	41.6	41.6	41.6	41.6	41.6	41.2	41.2
Secondary (miles) (2)	98.4	98.4	88.4	88.4	88.4	88.4	88.4	88.4	88.5	88.5
Parks & Recreation:										
Parks - number of acres (3)	97	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	84.7	84.9	85.0	85.0	85.0	85.0	85.0	85.0	85.0
Storage capacity (million gallons) (2)	3.3	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	81.8	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, 2025, 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 29, 2025.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 29, 2025

TOWN OF HERNDON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2025

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2025

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2024-001: Audit Adjustments (Significant Deficiency)

Condition:

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

Recommendation:

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

Current Status: No longer applicable.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2024-002: U-3 Local Finance Survey Submission

Condition:

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

Recommendation:

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

Current Status: No longer applicable.